



KIBABII UNIVERSITY COLLEGE

(A Constituent College of Masinde Muliro University of Science Technology)

P.O. Box 1699-50200 Bungoma, Kenya

Tel. 020-2028660/0708-085934/0734-831729

E-mail: enquiries@kibabiiuniversity.ac.ke

UNIVERSITY REGULAR EXAMINATIONS

2012/ 2013 ACADEMIC YEAR

1ST YEAR 2ND SEMESTER

**FOR THE DEGREE OF BACHELOR OF
EDUCATION (ARTS)**

**SCHOOL BASED PROGRAMME
(MAIN EXAM)**

COURSE CODE: ECO 102

COURSE TITLE: INTRODUCTION TO MACROECONOMICS

DATE: 30th August, 2013

TIME: 8a.m. – 11a.m.

INSTRUCTIONS TO CANDIDATES

- Answer **FOUR** any questions

1. (a) Explain four difficulties which economists encounter while estimating the Nation Income of a country. (8mks)
- (b) The table below represents economic transactions for a country in billions of shillings:-

| | Total Output | Intermediate Purchases |
|---------------|---------------------|-------------------------------|
| Agriculture | 30 | 10 |
| Manufacturing | 70 | 45 |
| Services | 55 | 25 |

Required

- (i) Calculate the Gross National Product of this economy using the value added approach. (4mks)
 - (ii) If depreciation and indirect taxes equal 8 billion and 7 billion shillings respectively, find the Net Domestic product both at market prices and at factor cost. (5mks)
 - (c) Explain **four** limitations to the application of the multiplier principle. (8mks)
2. (a) What is macro-economics? (2mks)
 - (b) Explain **four** distinctions between microeconomics and macro-economics. (8mks)
 - (c) Macroeconomics as a subject has limitations. Explain **five** of them. (10mks)
 - (d) Explain the importance of macro-economics. (5mks)
3. (a) A Central Bank is commonly referred to as the bank at the apex with monetary authority. Clearly explain **five** functions of a Central Bank. (10mks)
 - (b) Explain **three** roles of the money market in the economy. (6mks)
 - (c) Explain five objectives of the monetary policy.
4. (a) Mention **three** leakages from the circular flow of income. (3mks)

- (b) With aid of a well-labeled diagram, describe the working of the circular flow in a 3- sector economy. (7mks)
- (c) Highlight **five** assumptions of a 3 model economy in (b) above. (10mks)
5. (a) (i) Define the term inflation. (1mk)
- (ii) Describe **three** types of inflation. (6mks)
- (b) Explain **five** causes of inflation. (10mks)
- (c) State and explain **four** anti-inflationary measures. (8mks)
6. (a) Define the term unemployment. (2mks)
- (b) Explain **five** main causes of unemployment in Kenya. (10mks)
- (c) Suggest **four** possible measures that you would implement to contain unemployment in Kenya. (8mks)
- (d) Highlight **five** canons of taxation. (5mks)