



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND
TECHNOLOGY**

SCHOOL OF AGRICULTURAL AND FOOD SCIENCES

**SECOND YEAR FIRST SEMESTER UNIVERSITY EXAMINATION FOR THE
DEGREE OF BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT**

2017/2018 ACADEMIC YEAR

REGULAR

COURSE CODE: BEN 3213

COURSE TITLE: PRINCIPLES OF MACROECONOMICS

EXAM VENUE: LAB 9

STREAM: BSc. (Agribusiness Management)

DATE: 19/12/17

EXAM SESSION: 9.00 – 11.00 AM

TIME: 2 HOURS

Instructions

- 1. Answer ALL questions in section A. In section B answer ANY 2 Questions.**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**
- 4. Candidates are advised to carry a scientific calculator for this examination.**

SECTION A [30 MRKS]

Answer ALL questions from this Section

1. Define the following economic terms:
 - a. Macroeconomics (2 Marks)
 - b. Production possibility frontier (2 Marks)
2. a. State and Explain 2 macroeconomic policies used by macroeconomist to achieve its goals (4 Marks)
- b. State and Explain two reasons why GDP may not be a good measure of individuals' wellbeing. (2 Marks)
3. a. State and Explain the components of Gross Domestic Product (4 Marks)
- b. Using a graph Explain the term Economic Equilibrium. (4 Marks)
4. Differentiate between the following terms
 - a. Real and Nominal GDP (3 Marks)
 - b. Net National Product and National Income. (3 Marks)
5. a. Define the term labour productivity as used in economic growth. (2 Marks)
- b. State and explain two major determinants of labour productivity in an economy. (4 Marks)

SECTION B [40 MARKS]

Answer ANY TWO questions from this Section.

6.
 - a. Differentiate between government budget surplus and budget deficit. (4 Marks)
 - b. Using graphical illustrations in each case, explain:
 - i) How government budget deficit affect saving and investment. (8 Marks)
 - ii) How government budget surplus affect saving and investment (8 Marks)
7.
 - a. Governments often step in to restrict international trade to protect domestic industry, explain the following terms as used to achieve this goal
 - i. Quota (2 Marks)
 - ii. Tariffs. (2 Marks)
 - iii. Subsidies (2 Marks)

- b. Explain three advantages of international agricultural trade. **(3 Marks)**
- c. Using appropriate graph and from Keynesian economic view, explain policy intervention that can be used to minimize the effects of economic recession and depression. **(5 Marks)**
- d. Use an appropriate diagram to explain the relationship between inflation and unemployment in the short run **(6 Marks)**

8. A country, X, produces only 2 products, Tea and Fish as shown on the table below.

YEAR	PRICE OF TEA (KSHS. MILLIONS)	QUANTITY OF TEA (MT)	PRICE OF FISH (KSHS.MILLION)	QUANTITY OF FISH (MT)
2013	10	100	20	200
2014	20	150	30	250
2015	30	200	40	300

- a. Use an appropriate formula to explain the term GDP deflator. **(2 Marks)**
- b. Calculate the annual Nominal GDP of country X for each year, and Explain the annual difference in the Nominal GDP in the three years **(5 Marks)**
- c. Calculate the annual Real GDP of the country X above taking 2013 as the base year, and Explain the annual difference in the Real GDP in the three years **(5 Marks)**
- d. Use an appropriate diagram to show and explain the income flow in an open economy **(8 Marks)**