



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY  
SCHOOL OF AGRICULTURAL AND FOOD SCIENCES  
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN  
AGRIBUSINESS MANAGEMENT  
FOURTH YEAR SECOND SEMESTER 2016/2017 ACADEMIC YEAR  
REGULAR**

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**COURSE CODE: BEN 3426**

**COURSE TITLE: INTERMEDIATE MACROECONOMICS**

**EXAM VENUE: LAB 14**

**STREAM: BSC. (Agribusiness Management)**

**DATE: 21/12/16**

**EXAM SESSION: 9.00 – 11.00 AM**

**TIME: 2 HOURS**

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**Instructions**

- 1. Answer ALL questions in section A and ANY TWO questions in section B.**
- 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 must have an electronic calculator approved by JOOUST examinations board**

**SECTION A [30 MRKS]**

**Answer ALL questions from this Section**

1. Define the following economic terms:
  - a. Production possibility frontier **(2 Marks)**
  - b. Net Capital Outflows **(2 Marks)**
  - c. Natural Unemployment **(2 Marks)**
  
2. Differentiate between the following
  - a. Net National Product and National Income **(3 Marks)**
  - b. Substitute bias and Quality/New product bias **(3 Marks)**
  
3. State and explain FOUR components of GDP **(8 Marks)**
  
4. State and explain THREE economic principles that describe how the economy works as a whole **(6 Marks)**
  
5. State any 4 assumptions of the circular flow model in macroeconomics **(4 Marks)**

**SECTION B [40 MARKS]**

**Answer ANY TWO questions from this Section.**

6. A country, X, produces only 2 products, A and B as shown on the table below.

<b>Product</b>	<b>Quantity</b>						
<b>A</b>	<b>500</b>	<b>400</b>	<b>300</b>	<b>200</b>	<b>100</b>	<b>50</b>	<b>0</b>
<b>B</b>	<b>0</b>	<b>20</b>	<b>40</b>	<b>60</b>	<b>80</b>	<b>100</b>	<b>120</b>

- a. Plot the production possibility frontier curve **(5 Marks)**
- b. Calculate the opportunity cost of increasing product B from 40 to 80 units **(2.5 Marks)**
- c. Calculate the opportunity cost of increasing product A from 0 to 50 units **(2.5 Marks)**
- d. Use an appropriate sketch to explain the concept of sticky wages **(5 Marks)**
- e. State and explain 5 kinds of unemployment **(5 Marks)**

7. Use the table below to answer (b) and (c)

ITEM	Bread	Milk	Painkiller	Total	Inflation Rate
Quantity	10	5	20		
Price in 2011	45	35	5		
Total spent in 2011					
Price in 2012	50	40	10		
Total spent in 2012					
Price in 2013	50	45	15		
Total spent in 2013					
Price in 2014	55	40	15		
Total spent in 2014					

- a. What is Consumer Price Index? **(2 Marks)**
- b. From the table above, calculate the inflation index numbers using 2012 as the base year **(4 Marks)**
- c. Calculate the year-on-year inflation rates for each of the years **(4 Marks)**
- d. Use an appropriate sketch to show how government tax incentive to firms would affect interest rates and loanable funds **(10 Marks)**

8.

- a. Explain the following terms
  - i. Core Inflation Index **(2 Marks)**
  - ii. Real Exchange Rate **(2 Marks)**
  - iii. Foreign Price Effect **(2 Marks)**
  - iv. Efficient Wage Theory **(2 Marks)**
  - v. Aggregate Demand **(2 Marks)**
- b. Use an appropriate diagram to show the income flow in an open economy **(5 Marks)**
- c. Use an appropriate diagram to describe the relationship between inflation and unemployment in the short run **(5 Marks)**