



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE
& TECHNOLOGY UNIVERSITY EXAMINATIONS 2012/2013**

**2ND YEAR 2ND SEMESTER EXAMINATION FOR THE
DEGREE OF BACHELOR OF
AGRI-BUSINESS MANAGEMENT**

(REGULAR)

COURSE CODE: BEN 3213

COURSE TITLE: INTRODUCTION TO MICRO-ECONOMICS

DATE: 26 /8/13

TIME: 9.00 - 11.00AM

DURATION: 2 HOURS

INSTRUCTIONS

- 1. This paper contains five (5) questions.**
- 2. Answer question 1 (compulsory) and ANY other TWO questions.**
- 3. Write all answer in the booklet provided.**

QUESTION ONE

(a) The information below relates to a certain country national income

ITEMS	MILLIONS K SHS
GNP	35000
INDIRECT TAXES	700
POPULATION	20
CAPITAL CONSUMPTION ALLOWANCE	200
UNDISTRIBUTED CORPORATE PROFITS	10
CORPORATE INCOME TAXES	15
PERSONAL TAXES	300
TRANSFER PAYMENTS	2000
SOCIAL SECURITY DISTRIBUTION	3000
SUBSIDIES	100

Calculate

- (i) Net National Product at Market Price
- (ii) Personal Income
- (iii) Income Per Capita
- (iv) Disposable Income

8 Marks

(c) Explain the Monetary Policy Measures to reduce unemployment in an economy.

6 Marks

(d) Explain the principles of a good tax system.

6 Marks

(e) Explain the importance of the National Income Accounting.

10 marks

QUESTION TWO

- (i) In relation to Monetary policy, explain the ways in which the Central Bank implements monetary policy. 10 Marks
- (ii)
- (iii) Explain the major components of Fiscal Policy in an economy. 10 Marks

QUESTION THREE

- (i) The following information relates to the national income statistics of a certain country
$$Y = C + I + G + (X - M)$$
Where $C = a + by$, $G = G$, $I = I$, $X = X$, $M = M_o + M_y$
Derive the national income equation. 4 Marks
- (a) Use the information above to derive the national income equation
- (ii) If $a = 300$, $b = 0.25y$, $G = 7000$, $I = 5000$, $X = 400$, $M_o = 300$, $M_y = 10\%$ calculate the national income equilibrium. 2 Marks
- (iii) Explain the reasons why there has been an increase in public expenditure in Kenya giving out relevant examples. 14 Marks

QUESTION FOUR

- (i) Explain the factors which have contributed to long term capital inflows investment in Less Developing Countries. 10 Marks
- (ii)
- (iii) Explain the causes of the balance of payment disequilibrium in an economy. 10 Marks

QUESTION FIVE

- (i) One of the goals of monetary policy in an economy is to achieve a higher economic growth levels. Describe the various economic policies that should be implemented to achieve this objective 10 Marks
- (ii) Explain the determinants of Growth 10 Marks