



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND  
TECHNOLOGY  
SCHOOL OF BUSINESS & ECONOMICS  
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF  
BUSINESS ADMINISTRATION WITH IT  
1<sup>ST</sup> YEAR 2<sup>ND</sup> SEMISTER 2018 ACADEMIC YEAR  
KISII CAMPUS**

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**COURSE CODE: AEC 102**

**COURSE TITLE: INTRODUCTION TO MACRO ECONOMICS**

**EXAM VENUE:**

**STREAM: (BBA)**

**DATE:**

**EXAM SESSION:**

**TIME: 2 HOURS**

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**Instructions:**

- 1. Answer Question ONE (COMPULSORY) and ANY other 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.**

### Question one

- a) Define macro economics and briefly explain why you think it is important to study this branch of economics (10 Marks)
- b) Distinguish the following terms (15 Marks )
- i. Saving and investment
  - ii. Final and intermediate goods
  - iii. Disposable income and per capita income
  - iv. Gross National Product and Net National Product
  - v. Disguised and frictional unemployment
- c) State **ANY five** differences between macro and micro economics (5 Marks)

### Question two

- a) Define National income and explain the importance of National Income Estimates in developing economies like Kenya. (10 Mark)
- b) Define consumption and explain the Absolute Income theory of consumption as given by Keynes. (10 Marks)

### Question three

- a) Define monetary Policy and explain its objectives in developing countries. (10 Marks)
- b) Explain the following terms. (10 Marks)
- i. Inflationary gap
  - ii. Suppressed inflation
  - iii. Structural unemployment

### Question four

- a) Define unemployment and suggest policies to combat unemployment in Kenya (10 Marks)
- b) Define investment. With the aid of a diagram explain how National income is determined at the level savings is equal to investment. (10 Marks)

### Question five

- a) Discuss National Income as a measure of social welfare. (10 Marks)
- b) Define inflation and explain how fiscal policy can be used to curb it. (10 Marks)