

**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE &
TECHNOLOGY (JOOUST)
SCHOOL OF BUSINESS AND ECONOMICS
SEMESTER EXAMINATIONS
AEC 205: INTERMEDIATE MACROECONOMICS**

INSTRUCTIONS

Answer question ONE (Compulsory) and any other TWO questions

Examination Duration: 2 hours

(KISUMU CITY CAMPUS- EVENING 20 CANDIDATES)

QUESTION ONE

- a) Describe an economy as circular flows of income and expenditure (10 marks)
- a) With appropriate examples distinguish between injections and withdrawals in the circular flow of income. (10 marks)
- b) Explain the limitations of consumer price index as a measure of the cost of living (10 marks).

QUESTION TWO

- a) Suppose consumption function and investment in a two sector economy are given as :
$$C = 50 + 0.80Y$$
$$I = 50$$
Find the equilibrium level of income, consumption and savings (10 marks)
- b) Discuss the causes and consequences of unemployment (10 marks)

QUESTION THREE

- a) Suppose the structural equations of an economy are given as follows:
$$Y = C + I$$
$$C = 100 + 0.75Y$$
$$I = 100$$
Find the equilibrium values for Y and C (10 marks)
- b) Explain the reasons for liquidity preference (10 marks)

QUESTION FOUR

- a) Given the National income aggregate in millions of \$: $GDP_{mp} = 11,076$ and the following transactions in the economy;
 - i) Net factor income paid abroad =42
 - ii) Depreciation=608
 - iii) Net indirect taxes=1040

Determine the following income aggregates

- i) GNP at market price (4 marks)
- ii) GDP at factor cost (4 marks)
- iii) NDP at market price (4 marks)
- iv) NDP at factor cost (4 marks)
- v) NNP at factor cost (4marks)

QUESTION FIVE

The level of consumption is not necessarily determined only by the level of absolute, relative or permanent income. Discuss the other factors that influence household consumption (20 marks)