JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

UNIVERSITY EXAMINATIONS

BACHELOR OF ARTS DEVELOPMENT STUDIES

UNIT CODE: ZDS 3425.   UNIT NAME: BASIC NATIONAL ACCOUNTING.

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO.

TIME: 2 HOURS.

QUESTION ONE.

   (a) Define "national accounting". And "national accounts".   (4 marks).
   (b) Outline the classification of accounts.   (8 marks).
   (c) Differentiate between gross domestic product and gross national product. (8 marks).
   (d) A farmer grows wheat & sells it to a miller for shs. 15. The miller turns the wheat into flour & then sells the flour to a baker for shs. 30. The baker uses the flour to make bread & sells the bread to households for shs. 50. The households eat the bread. What is the value added in each stages of production? What is GDP?   (6 marks).
   (e) GNP includes four types of final goods and services. Highlight them.   (4 marks).

QUESTION TWO.

   (a) Discuss the three approaches in measuring a countries national output.   (8 marks).
   (b) The following is the information from the national income accounts for a hypothetical country:

	shs
GDP	6000
Gross Investment	800
Net Investment	200
Consumption	4000
Govt. purchases of goods & services	1100
Govt. Budget Surplus	30.

Calculate
    (a) NDP   (2 marks).
    (b) Net exports   (2 marks).
    (c) Govt. taxes minus transfers   (2 marks).
    (d) Disposable personal income   (2 marks).

(c) Discuss critically GDP as a measure of economic welfare.   (4 marks).

QUESTION THREE.

(a) Evaluate the uses of national income accounting information for a country and the investors. (6 marks).

(b) To compare standards of living of different countries the problem is the countries being compared use different currencies. Discuss the two approaches that can be used to solve this problem and highlight the risks that are apparent.
(8marks).

(c) Assuming an economy with no government and no foreign trade. Calculate GDP for the following output scenario: There are three firms: firm A is a mining company, firm B is a steel producer and firm C is a car manufacturer. In a specific year firm A sells Rs. 100 million worth of iron ore to firm B, firm B sells shs. 200 million worth of steel to firm C and firm C sells shs. 500 million worth of cars to general public. If there are no changes in inventories, no taxes and no other producers in the economy, calculate the GDP?
(6 marks).

QUESTION FOUR.

(a) All countries have adopted the conventions (the United Nations Standard National Accounts) for the calculations of Gross National Product (GNP) and Gross Domestic Product (GDP), and GNP or GDP per capita is the commonest indicator of the level of development. Economic growth refers to an increase in either of these indicators. There are however well known problems associated with the calculation of national income in poor countries and its use as an indicator of development. Highlight these problems. (10 marks).

(b) A modern economy can be simply modeled in the aggregate by thinking of it as comprising two key sector. Using the circular flow discuss this model. (10 marks).

QUESTION FIVE.

(a) Describe the significance of national income analysis. (10 marks)

(b) Evaluate some of the difficulties experienced in the measurement of national Income.
(10 marks).