BONDO UNIVERSITY COLLEGE

BACHELOR OF BUSINESS ADMINISTRATION

AEC 102: INTRODUCTION TO MACROECONOMICS

YEAR 1 SEMESTER 2 EXAMINATION

INSTRUCTION: **Answer question one** and any other **two** questions

Question one

a) Distinguish between Gross National and Gross Domestic Products and account for the lower values of the former in developing economies. (10 mks)
b) Define the term per capita income. Show its usefulness and highlight some of its inherent shortcomings. (10 mks)
c) The table below represents estimated national income values for a hypothetical economy

Gross National product(at market prices)	389.2
Depreciation Allowance	47.0
Indirect Tax less subsidies	42.4
Business taxes	11.4
Personal income taxes	66.3
Government transfers	59.3
Retained profits	13.0

Based on the information provided, calculate the net national product at market price, the net national income at factor cost, personal income and the disposable income for the economy (10 mks)

Question two

a) Using circular flow of income and expenditure, explain the likely effects of injections and leakages in an economy (10 mks)
b) Briefly discuss the various methods of measuring national income (10 mks)

Question three

a) Define the term inflation (3 mks)
b) Describe briefly the desirable effects of inflation in the economy (9 mks)
c) State and explain the causes of inflation in an economy (8 mks)

Question four

a) Kenya has devised various ways of channeling resources to rural areas to deal with unemployment problems. Identify and discuss any five of these methods (10 mks)

b) Write brief notes on the various types of unemployment (10 mks)

Question five

a) What are the determinants of consumption and in what ways do they affect the level of consumption (10mks)
b) Discuss the various factors which determine the level of investment and how they influence business persons regarding decisions to invest or not to invest (10mks)