

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS & ECONOMICS

UNIVERSITY EXAMINATION FOR BACHELOR OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT (BLSCM) AND BACHELOR OF BUSINESS ADMINISTRATION (With IT) 1st YEAR 2nd SEMESTER

KISUMU CAMPUS

COURSE CODE: AEC 102

COURSE TITLE: INTRODUCTION TO MACRO ECONOMICS

EXAM VENUE: STREAM:

DATE: EXAM SESSION:

TIME: 2 HOURS

INSTRUCTIONS:

- 1. Answer question 1 (Compulsory) and ANY other THREE 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 (COMPULSORY)

- a) Clearly explain the approached to measuring output in the economy and state why they should be equal always. (10 marks)
- b) Explain the exchequer costs of inflation. (5 marks)

QUESTION TWO

- a) Illustrate the linkage between the household, the firms and the government using the circular flow of income. (10 marks)
- b) Enumerate the qualities of a good tax system. (5 marks)

QUESTION THREE

- a) Derive the equation for the aggregate demand and the equilibrium consumption in a simple Keynesian model without the government expenditure. (Hint: use disposable income)

 (10 marks)
- b) Analyze the effect of an increase in the tax rate using the model in (a) above (5 marks)

QUESTION FOUR

- a) Discuss the strategies that the government of Kenya has instituted to fight the levels of unemployment and hence stimulate economic growth in Kenya. (10 marks)
- b) Why is it often difficult to estimate the levels of unemployment in Kenya?(5 marks)

QUESTION FIVE

- a) use the AD-AS models to compare and show the effects of expansionary fiscal and monetary policies on equilibrium output. (9 marks)
- b) explain the four problems associated with GDP as a measure of the total production in the economy. (6 marks)