



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**SCHOOL OF BUSINESS AND ECONOMICS**

**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS  
ADMINISTRATION WITH I.T**

**1<sup>ST</sup> YEAR 2<sup>ND</sup> SEMESTER 2018/2019 ACADEMIC YEAR**

**NAIROBI CITY LEARNING CENTRE**

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**COURSE CODE: AEC 102**

**COURSE TITLE: INTRODUCTION TO MACROECONOMICS**

**EXAM VENUE: 12<sup>TH</sup> FL RM 4**

**STREAM: (BBA)**

**DATE: 4/12/2018**

**EXAM SESSION: 9.00 – 11.00AM**

**TIME: 2.00 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 1

- (a) Explain the following key terms as used in Economics:- (10 Marks)
- (i) Gross Domestic Product (GDP)
  - (ii) Gross National Product (GNP)
  - (iii) Net National Product (NNP)
  - (iv) Net National Income (NNI)
  - (v) Disposable Personal Income (DPI)
- (b) Give the meaning of national income and briefly explain the difficulties in measurement of National Income (10 Marks)
- (c) With the help of the below schedule, draw a graph and explain the concept of average propensity to consume and marginal propensity to consume (10 Marks)

Income (Kshs)	Consumption (Kshs)	APC=C/Y	MPC= $\Delta C/\Delta Y$
1,000	1,100	1.1	-
2,000	2,000	1	0.9
3,000	2,700	0.9	0.7
4,000	3,200	0.8	0.5
5,000	3,500	0.7	0.3
6,000	3,600	0.6	0.1

### QUESTION 2

- (a) When money was not invented, then the barter system was prevailing. Certain difficulties were faces by individuals to make transactions. Discuss (10 Marks)
- (b) Give the meaning of inflation and explain the different types of inflation (10 Marks)

### QUESTION 3

- (a) The world has registered remarkable economic progress during the last few decades. The periods of business prosperity are alternative with the periods of adversity. State and explain the phases of the trade Cycle (10 Marks)
- (b) When we say that the propensity to consume is stable, it does not mean that consumption expenditure remains constant. Consumption expenditure varies as income varies. Briefly the determinants of consumption function according to Keynes (10 Marks)

#### QUESTION 4

- (a) With the help of the below saving schedule, explain the concept of saving function  
(12 Marks)

Income (Kes)	Consumption (Kes)	Saving (Kes)	APS = (S/Y)	MPS = ( $\Delta S/\Delta Y$ )
1,000	1,100	-100	-0.1	--
2,000	2,000	0	0	0.1
3,000	2,700	300	0.1	0.3
4,000	3,200	800	0.2	0.5
5,000	3,500	1,500	0.3	0.7
6,000	3,600	2,400	0.4	0.9

- (b) The central theme of over investment theory is the over development of industries which produces capital goods in relation to industries producing consumer goods. Explain the different groups of over investment theory  
(8 Marks)

#### QUESTION 5

- (a) The fundamental point of the Keynesian theory of income and employment is that employment is a function of income. To determine the national income, certain conditions have to be fulfilled. Explain  
(8 Marks)
- (b) What is standard of living and how is it compared among different countries  
(12 Marks)