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 SEMESTER 2nd

KISUMU CAMPUS

COURSE CODE: AEC 102/BEN 3211

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) Explain the importance of studying macroeconomics as a subject.   (10 marks)

b) Differentiate between net national income at factor cost and net national income at market prices.   (5 marks)

c) Explain the exchequer costs of inflation.   (5 marks)

d) Discuss the determinants of investments, being a measure of an aggregate demand.

(10 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.   (10 marks)

QUESTION THREE

a) Derive the equation for the aggregate demand and the equilibrium consumption in a simple Keynesian model full with the government expenditure.   (10 marks)

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

QUESTION FIVE

a) Use the AD-AS models to compare and show the effects of expansionary fiscal and monetary policies on equilibrium output.   (10 marks)

b) Explain the problems associated with GDP as a measure of the total production in the economy   (10 marks)