



**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 approaches 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)