



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS AND ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE AWARD OF DIPLOMA IN BUSINESS**  
**ADMINISTRATION**  
**1<sup>ST</sup> YEAR 2<sup>ND</sup> SEMESTER 2024/2025 ACADEMIC YEAR**  
**MAIN CAMPUS**

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**COURSE CODE: BEN 2121**

**COURSE TITLE: INTRODUCTION TO MACROECONOMICS**

**EXAM VENUE:**

**DATE: 22/04/2025**

**EXAM SESSION: 12.00 – 1.30 PM**

**DURATION: 1 ½ HOURS**

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**Instructions:**

- 1. Answer question ONE and any other TWO questions**
- 2. Candidates are advised not write on the question paper**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room**

## QUESTION ONE

- a) Differentiate between microeconomics and macroeconomics. (10 marks)
- b) Distinguish between the following terminologies as used in national income accounting:
- i. GNP at factor cost and GNP at market price. (2 marks)
  - ii. Nominal GNP and Real GNP. (2 marks)
  - iii. Disposable income and Per Capita income. (2 marks)
- c) Outline THREE types of inflation. (3 marks)
- d) Highlight FOUR salient features of a good money material. (4 marks)
- e) Outline THREE reasons why it is important for countries to trade with each other. (3 marks)
- f) Differentiate between fiscal and monetary policy. (4 marks)

## QUESTION TWO

- a) Explain the role of the Central Bank of Kenya. (10 marks)
- b) Explain FIVE characteristics of a good tax system. (10 marks)

## QUESTION THREE

- a) With the aid of a diagram, describe how equilibrium level of national income is achieved in the circular flow of income. (10 marks)
- b) Explain THREE reasons why people want to hold money according to Keynes. (6 marks)
- c) Highlight FOUR Functions Of Non-Bank Financial Institutions. (4 marks)

## QUESTION FOUR

- a) Discuss the effects of inflation in Kenya. (10 marks)
- b) Explain FIVE challenges associated with a huge public debt. (10 marks)

## QUESTION FIVE

- a) Briefly explain THREE methods of measuring of National Income. (9 marks)
- b) From the data below calculate the gross national product at factor cost: (10 marks)

	£Million
Imports	42,000
Value of physical increase in stock	1,300
Exports	43,000
Capital formation	25,000
Government expenditure	29,000
Consumer expenditure	84,000
Taxes on expenditure	20,000
Subsidies	3,000
Net property income from abroad	400