



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR THE BACHELOR OF SCIENCE IN
AGRIBUSINESS MANAGEMENT WITH IT
2rd YEAR 1st SEMESTER 2024/2025 ACADEMIC YEAR
SIAYA CAMPUS

COURSE CODE: AEB 1203

COURSE TITLE: PRINCIPLES OF MACROECONOMICS

EXAM VENUE:

DATE:

DURATION: 2 HOURS.

INSTRUCTIONS

- 1. Answer QUESTION ONE and any other TWO questions**
- 2. Show ALL your workings and be as NEAT as possible.**
- 3. Candidates are advised not to write on the question paper**
- 4. Marks allocated to each question are shown at the end of the question.**

QUESTION ONE

- a) Explain the importance of macroeconomics to an agribusiness practitioner. **(4 Marks)**
- b) Distinguish between the following concepts as used in macroeconomics:
- Gross Domestic Product and Gross National Product. **(2 Marks)**
 - Leakages and injections. **(2 Marks)**
 - Real GDP and Nominal GDP. **(2 Marks)**
- c) Kenya is said to have undergone recession associated with COVID 19 pandemic. Explain the characteristics of this phase of business cycle. **(3 Marks)**
- d) Suppose an economy is characterised by the following structural equation:
- $$Y = C + I ;$$
- $$C = 100 + 0.8Y_D;$$
- $$I = 150$$
- What type of economy does this model represent? **(1 Mark)**
 - Explain the meaning of Y_D . **(1 Mark)**
 - Determine the equilibrium income for this economy. **(3 Marks)**
- e) Outline the economic consequences of inflation. **(3 Marks)**
- f) Explain the role of money in the macro economy. **(4 Marks)**
- g) Explain other determinants of consumption a part from the level of one's disposable income. **(3 Marks)**
- h) Differentiate between cyclical unemployment and structural unemployment. **(2 Marks)**

QUESTION TWO

- a) Explain the factors that would cause a balance of payments disequilibrium in an economy. **(8 Marks)**
- b) The following information relates to a utopian economy:

	Ksh.'000
Net National Product at factor cost	16480
Depreciation	500
Indirect taxes	2220
Subsidies	200
Taxes on corporate profits	322
Net interest	440
Transfer Payments by government	340
Personal taxes	150
Personal interest	50
Dividends	120

Determine:

- i. Net National Product at Market. **(3 Marks)**
- ii. Personal Income. **(5 Marks)**
- iii. Per capita income given that the population of this economy is 20million. **(4 Marks)**

QUESTION THREE

- a) Define unemployment and discuss the main causes of unemployment in Kenya. **(14 Marks)**
- b) Explain the causes of cost –push inflation. **(6 Marks)**

QUESTION FOUR

- a) Monetary and fiscal policy measures are important tools policy makers often use to achieve certain macroeconomic goals within the economy. Explain any four of these goals. **(8Marks)**
- b) Examine the determinants of economic growth in a country. **(6 Marks)**
- c) Describe the Keynesian theory of consumption. **(6 Marks)**

QUESTION FIVE

- a) Using appropriate examples, explain how economic and non-economic activities are treated in national income accounts. **(6 Marks)**
- b) Using a diagram, explain clearly the circular flow of income in a three sector economy outlining the key assumptions of the model. **(10 Marks)**
- c) Explain the challenges in the use of value added approach to measure national income. **(4 Marks)**