

CHUKA



UNIVERSITY

UNIVERSITY SUPPLEMENTARY/SPECIAL EXAMINATIONS.

FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
COMMERCE

BBAM 103/ECON 121/BCOM 104: PRINCIPLES OF MACROECONOMICS

STREAMS

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 12/09/2018

8.30 A.M -10.30 A.M

INSTRUCTIONS:

- Answer Question ONE and any other TWO Questions.

QUESTION ONE

- a (i) Outline the goals of Macroeconomics policy [5 Marks]
(ii) Highlight the used and limitations of Macroeconomics. [5 Marks]
- (b) Discuss the circular flow of income in a four sector economy and clearly distinguish leakages and injections. [10 Marks]
- (c) Explain the reasons why higher national income doesn't necessarily imply better economic welfare for citizens of a country. [10 Marks]

QUESTION TWO

- (a) (i) Discuss three approaches to the measurement of natural income. [9 Marks]
(ii) What factors determine the size of a country's national income? [5 Marks]
(iii) Highlight some of the problems encountered in national income accounting. [6 Marks]

QUESTION THREE

- (a) (i) Define the term inflation. [2 Marks]
(ii) Discuss the major causes of inflation in the Kenyan economy. [10 Marks]
(iii) Highlight possible solutions to the problem of inflation. [8 Marks]

QUESTION FOUR

- (a) The Kenyan economy has experienced increased rates of un-employment in the past years. Discuss the causes of this. [10 Marks]
- (b) Explain some of the policies that can be put in place to curb unemployment in the country. [2 Marks]

