

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DIPLOMA IN BUSINESS MANAGEMENT

DIBM 0132: PRINCIPLES OF MACROECONOMICS

STREAMS: DIBM

TIME: 2 HOURS

DAY/DATE: TUESDAY 06/08/2019

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

- **Answer question one and any other two questions**
- **Do not write anything on the question paper**

QUESTION ONE

1. (a) Distinguish between the following terms as used in economics.
- (i) Leakages and injections
 - (ii) Autonomous investment and induced investment
 - (iii) Gross Domestic Product and Gross National Product (6 marks)
- (b) Discuss the major goals of macroeconomic policy. (8 marks)
- (c) Per capita income is not a good measure of material wellbeing of people in an economy. Discuss. (8 marks)
- (d) Given the following:
 $C = 100 + 0.4Y$
 $I = 30 + 0.2Y$
 $G = 100$
- Determine:
- (i) The equilibrium income (4 marks)
 - (ii) Equilibrium Consumption (2 marks)
 - (iii) Equilibrium Investment (2 marks)

QUESTION TWO

- (a) An Individual aggregate demand for money is based on decision that takes the three motives into account. Explain the three motives for holding money according to Keynes. (6 marks)
- (b) Using a well labelled diagram, discuss the circular flow of income in a 3-sector economy. (8 marks)
- (c) Discuss the policies of curbing unemployment in Kenya. (6 marks)

QUESTION THREE

- (a) Explain difficulties experienced in measuring national income. (10 marks)
- (b) Discuss the effects of inflation in an economy. (10 marks)

QUESTION FOUR

- (a) Explain three Major approaches used to measure national income. (6 marks)
 - (b) Discuss the determinants of investment. (6 marks)
 - (c) Briefly explain the causes of cost push inflation. (8 marks)
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