

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA, EMBU & IGEMBE CAMPUSES

EXAMINATION FOR THE AWARD OF DIPLOMA IN BUSINESS MANAGEMENT

DIBM 0132: PRINCIPLES OF MACROECONOMICS

STREAMS: DIP DIBM

TIME: 2 HOURS

DAY/DATE: THURSDAY 7/12/2017

2.30 P.M - 4.30 P.M.

INSTRUCTIONS:

Answer Question ONE and any other TWO

QUESTION ONE

- (a) Discuss major goals of macroeconomic policy. [8 Marks]
- (b) Using a well-labeled diagram, discuss the circular flow of income in an open economy (4-sector economy). [10 Marks]
- (c) Given the following;
- $$C = 100 + 0.27$$
- $$I = 30 + 0.47$$
- $$G = 400$$
- $$X = 200$$
- $$M = 150 + 0.37$$

Determine;

- (i) Equilibrium Income [6 Marks]
- (ii) Equilibrium Consumption [2 Marks]
- (iii) Equilibrium Investment [2 Marks]
- (iv) Equilibrium Imports. [2 Marks]

QUESTION TWO

- (a) Per Capita income is not a good measure of material well being of people in an economy. Discuss. [8 Marks]

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(b) Discuss the three motives for holding money according to Keynesian theory of demand for money. [6 Marks]

(c) Explain causes of cost-push inflation in an economy. [6 Marks]

QUESTION THREE

(a) Discuss the determinants of consumption. [10 Marks]

(b) Distinguish between the following,

(i) Leakages and injections. [2 Marks]

(ii) Autonomous and induced consumption [2 Marks]

(iii) Intended and unintended investment. [2 Marks]

(c) Using a well labeled diagram, discuss the concept of paradox of thrift. [4 Marks]

QUESTION FOUR

(a) Discuss 4 types of unemployment in an economy. [8 Marks]

(b) Explain four policies used to curb the problem of unemployment in an economy. [8 Marks]

(c) Discuss external disadvantages of inflation. [4Marks]

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