

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

ECON 121: PRINCIPLES OF MACROECONOMICS

STREAMS: BED (ARTS) Y1S2

TIME: 2 HOURS

DAY/DATE: MONDAY 13/08/2018

8.30 A.M - 10.30 A.M.

INSTRUCTIONS:

- Answer Question ONE and any other TWO Questions.

QUESTION ONE

- (a) Distinguish the following terms with clear examples for each. [6 Marks]
- (i) Leakages and withdrawals
 - (ii) National income and personal income
 - (iii) Autonomous consumption and induced consumption
- (b) Discuss the goals of macroeconomic policy. [8 Marks]
- (c) Using examples, explain why national income is not a good measure of social welfare. [8 Marks]
- (d) Discuss the circular flow of income for an economy with four sectors. [8 Marks]

QUESTION TWO

- (a) Discuss the motives for holding money. [6 Marks]
- (b) Discuss 5 determinants of consumption other than income. [10 Marks]
- (c) Distinguish between monetary and fiscal policy. [4 Marks]

QUESTION THREE

- (a) Define the term unemployment. [2 Marks]
- (b) What are the major types of unemployment found in Kenya? [10 Marks]
- (c) Discuss some of the measures that the government can take to curb unemployment. [8 Marks]

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QUESTION FOUR

(a) Distinguish between inflation and deflation. [4 Marks]

(b) Inflation affects some people more adversely than others. Discuss this statement and give clear examples. [8 Marks]

(c) As an economic policy expert, what are some of the measures you would put in place to contain inflation in an economy? [8 Marks]

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