

**CHUKA**



**UNIVERSITY**

## **UNIVERSITY EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF SCIENCE IN ECONOMICS AND STATISTICS AND BACHELOR OF ARTS( ECONOMIC AND MATHEMATICS) AND BACHELOR OF ARTS IN ECONOMICS AND SOCIOLOGY**

**ECON 121: PRINCIPLES OF MACRO ECONOMICS**

**STREAMS: Y1S2**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 10/04/2018**

**8.30 A.M – 10.30 A.M**

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**INSTRUCTION:**

- **Answer question one and any other two questions from the remaining**
1. What are micro and macro economics paradoxes? Explain with examples. [5marks]
    - (ii) What are the uses and limitations of macro economics . [5marks]
    - (iii) Describe an economy as a circular flow of income and expenditure in a four sector model. What determines the magnitude of the circular flows? [10marks]
    - (iv) Distinguish between withdrawals and injections. How do they affect the size of the circular flow of income and expenditure in an economy? [10marks]
  2. (i) Discuss three main approaches of measuring national income. [12marks]
    - (ii) National income accounting is very paramount to any country that is conscious about its growth and development. Discuss difficulties experienced in estimation of national income in Kenya. [4marks]
    - (iii) What are the main uses of national income statistics. [4marks]
  3. (i) Explain the various motives of holding money. [6marks]
    - (ii) Define the term monetary policy. [3marks]
    - (iii) Discuss any four instruments of monetary policy used to control and regulate money supply by the central banking authority. [8marks]

- (iv) What are the likely effects of an expansionary monetary policy in an economy. [3marks]
4. (i) Define inflation . [2marks]
- (ii) What are the major causes of inflation. [8marks]
- (iii) Explain economic effects of high inflation rates. [6marks]
- (iv) Suggest economic measures that the Kenyan government should use to curb inflation. [4marks]
5. (i) Define the term unemployment. [2marks]
- (ii) Discuss the main causes of unemployment in Kenya and in any other developing and transitional economies. [10marks]
- (iii) Suggest the possible measures that as an economic policy expert you would use or implement to contain unemployment problems in your country. [8marks]
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