

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DIPLOMA IN BUSINESS
MANAGEMENT AND DIPLOMA IN ACCOUNTANCY**

DIBM 0132: PRINCIPLES OF MACROECONOMICS

STREAMS: DIBM

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 11/4/2018

8.30 A.M. – 10.30 A.M.

INSTRUCTION: ANSWER QUESTION ONE AND ANY OTHER TWO

QUESTION 1

- (a) Explain the difficulties experienced in measuring national income. [10 marks]
- (b) Explain the 3 major approaches to measurement of national income. [6 marks]
- (c) Explain the 4 major goals/aims of macroeconomic policy. [8 marks]
- (d) Explain 6 effects of inflation. [6 marks]

QUESTION 2

- (a) Explain 5 types of unemployment. [10 marks]
- (b) Explain policies that the government of Kenya could adopt to care the problem of unemployment. [10 marks]

QUESTION 3

- (a) Suppose that $C=10+0.8Y$
 $I = \text{ksh } 500$
Compute equilibrium income (\bar{Y}) [4 marks]
- (b) Explain the functions of the central bank. [8 marks]
- (c) Describe the Keynesian theory of demand for money. [6 marks]

QUESTION 4

- (a) Using a diagram describe a two sector circular flow of income. [10 marks]
- (b) Per capita income is not a good measure of material well-being of the citizens.
Explain this statement. [10 marks]
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