

CHUKA



UNIVERSITY

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**UNIVERSITY EXAMINATIONS**

**RESIT/SPECIAL EXAMINATION**

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

**DIBM 0132: PRINCIPLES OF MACROECONOMICS**

**STREAMS: DIBM**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 02/02/2021**

**11.30 A.M – 1.30 P.M.**

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**INSTRUCTIONS**

- Answer question one and any other two

- a) Distinguish between the following terms as used in economics

Per capita income and disposable income

Deflation and inflation

Leakages and injection

GDP and GNP

Autonomous consumption and induced consumption (10 marks)

- b) Per Capita income is not a good measure of material wellbeing of people in an economy. Discuss. [8 Marks)

- c) Given the following;

$$C = 100 + 0.82Y$$

$$C = 30 + 0.1Y$$

$$I = 400$$

$$G = 100$$

$$C = 150 + 0.42Y$$

Determine;

- |                              |           |
|------------------------------|-----------|
| (i) Equilibrium Income       | [6 Marks] |
| (ii) Equilibrium Consumption | [2 Marks] |
| (iii) Equilibrium Investment | [2 Marks] |
| (iv) Equilibrium Imports.    | [2 Marks] |
- 2) a) With the aid of a diagram, explain the circular flow of income showing leakages and injections in a closed economy. (8 marks)
- b) Explain the causes and remedies of unemployment in Kenya (8 marks)
- c) Briefly highlight the determinants of consumption in an economy (4 marks)
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- 3a) discuss the basic functions of money (8 marks)
- b) Kenya GNP is three times that of Uganda, therefore the welfare of Kenyans is far much better than Ugandans. As an economist criticize this statement (7 marks)

c) Explain the difficulties encountered during measurement of national income (5 marks)

4a) Discuss the major goals of macroeconomic policy and clearly define major policies that can be used by the government to achieve the macro goals. (8 marks)

b) Explain the approaches used in the measurement of national income (6 marks)

c) Highlight the policies which can be implemented to cure inflation (6 marks)

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