KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 16th August, 2024
Time: 2.30pm –4.30pm

KFI 101 PRINCIPLES OF MACRO ECONOMIC THEORY

INSTRUCTIONS TO CANDIDATES

ANSWER **QUESTION ONE (COMPULSORY)** AND **ANY OTHER TWO** QUESTIONS

QUESTION ONE (30 MARKS)

a) The table below represents values of economic transactions for a hypothetical economy in billion of shillings:

Wages and salaries	45	
Income from rent		3
Net interest		4
Profits of corporations	8	
Indirect taxes	7	
Subsidies		3
Depreciation	8	
Net income from abroad		-5

Required:

From the table, derive the following;

i)   Gross Domestic Product.   (3 Marks)

ii)   Net Domestic Product at market prices.   (3 Marks)

iii) Net Domestic Product at factor cost.   (3 Marks)

iv)   Gross National Product.   (3 Marks)

b) Explain the three conceptual approaches to measuring national income figures.
                                                                                                          (9 Marks)

c) What difficulties do economists encounter while carrying out the task of estimating national income, particularly in developing countries?
                                                                                                          (9 Marks)

QUESTION TWO (20 MARKS)

a)   Discuss the four objectives/goals of macroeconomics.

(8 Marks)

b)   Using an illustration, explain the term 'business cycle.'

(6 Marks)

c)   By help of examples, differentiate between leakages and injections.

(6 Marks)

QUESTION THREE (20 MARKS)

a)   Using relevant diagrams, distinguish between inflationary and deflationary gap.

(10 Marks)

b)   By help of examples, explain the functions of money.

(10Marks)

QUESTION FOUR (20 MARKS)

a)   Illustrate and explain clearly the Keynesian theory of income and   employment.

(12 Marks)

b)   Explain the limitations of the multiplier.

(8 Marks)

QUESTION FIVE (20 MARKS)

a)   Explain the causes of unemployment in developing countries.

(10 Marks)

b)   Giving examples, explain why barter trade is cumbersome.

(10Marks)