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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 13th April, 2022
Time: 11.30am – 1.30pm

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;

- Gross Domestic Product. (3 Marks)
 - Net Domestic Product at market prices. (3 Marks)
 - Net Domestic Product at factor cost. (3 Marks)
 - 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)