



**KISII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**

**FIRST YEAR EXAMINATION FOR THE AWARD OF  
THE DEGREE OF BACHELOR OF ENTREPRENEURSHIP AND  
MANAGEMENT/PURCHASING AND SUPPLIES MANAGEMENT/HUMAN  
RESOURCE MANAGEMENT/COMMERCE/BUSINESS  
ADMINISTRATION AND MANAGEMENT/CO-OPERATIVE  
MANAGEMENT/HOTEL AND HOSPITALITY MANAGEMENT  
SECOND SEMESTER, 2017  
(MAY - AUGUST, 2017)**

**BCOM/BBAM 103: PRINCIPLES OF MICROECONOMICS**

**STREAM: Y1 S2**

**TIME: 2 HOURS**

**DAY: THURSDAY, 12.00 - 2.00 P M**

**DATE: 07/09/2017**

**INSTRUCTIONS**

1. *Do not write anything in this Question Paper.*
2. *Answer Question ONE and any other THREE Questions.*

**QUESTION ONE**

- a) What are the factors that determine the level of national income?  
(6 marks)
- b) With the aid of a diagram, explain the circular flow of national income.  
(10 marks)
- c) Discuss the measures a country undertakes to control inflation.  
(9 marks)

**QUESTION TWO**

- a) Given a typical consumption in the form:  
 $C = a + bY$ , Explain a, b, and bY.  
(3 marks)

- b) What are the likely effects of increased technological change on employment? (6 marks)
- c) What are the advantages of a country in participating in foreign trade. (6 marks)

### QUESTION THREE

- a) The presence of the Central Bank in a country is mandatory, discuss. (8 marks)

- b) Given the following functions:

$$C = 20 + 0.8Y_d$$

$$T = 6 + 0.1Y$$

$$I = 15$$

$$G = 30$$

$$X = 8$$

$$M = 5 + 0.2Y$$

#### **Required:**

- a) Equilibrium national income. (4 marks)
- b) Explain the term balance of payment as used in international trade. (3 marks)

### QUESTION FOUR

- a) Explain the following terms:
- Cost-push inflation. (3 marks)
  - Demand-pull inflation (3 marks)
  - Monetary policy (3 marks)
- b) Explain the main functions of money in any economy. (6 marks)

### QUESTION FIVE

- a) Discuss the problems encountered while computing national income figures. (5 marks)
- b) Distinguish between Money for speculative motive and money for precautionary motive. (6 marks)
- c) Explain the term, 'fiscal policy'. (4 marks)