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**University Examinations 2014/2015**

SECOND YEAR, FIRST SEMESTER EXAMINATION FOR DIPLOMA IN PURCHASING AND SUPPLIES MANAGEMENT

AND

FIRST YEAR, SECOND SEMESTER EXAMINATION DIPLOMA IN BUSINESS ADMINISTRATION

**DPS 1211 / DBA 2111: INTRODUCTION TO MACRO-ECONOMICS**

**DATE: DECEMBER 2014 TIME: 1**$\frac{1}{2}$ **HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. Differentiate the following terms:
2. Monetary policy and Fiscal policy (3 marks)
3. Gross national product and Gross domestic product (2 marks)
4. Nominal and Real national output (2 marks)
5. Acceleration principle and Multiplier principle (3 marks)
6. Explain five reasons why taxation is important to the Kenya government (5 marks)
7. Briefly explain five functions of money (5 marks)
8. The following equations represents a country’s national income

Y=C+I+G and c= a+bY

Where a=500, b=0.6, I=250 and G=450

Calculate:

1. National income at equilibrium (3 marks)
2. Consumption at equilibrium (2 marks)
3. Briefly explain five negative effects of international trade to a country (5 marks)

**QUESTION TWO (20 MARKS)**

1. Discuss five core functions of the central bank of Kenya (10 marks)
2. Discuss five problems encountered when calculating national income of a country

(10 marks)

**QUESTION THREE (20 MARKS)**

1. Discuss five main tools of monetary policy (10 marks)
2. Discuss the main motives of holding money according to Keynes (10 marks)

**QUESTION FOUR (20 MARKS)**

1. Discuss any five types of unemployment in developing countries (10 marks)
2. With the aid of a well labelled diagram, explain the concept of circular flow of income and expenditure in a two sector economy (10 marks)

**QUESTION FIVE (20 MARKS)**

1. Discuss five ways through which East Africa countries can protect their industries against foreign competition (10 marks)
2. Discuss five main causes of high inflation in Kenya today (10 marks)