UNIVERSITY OF NAIROBI

**UNIVERSITY EXAMINATIONS 2014/2015**

**SECOND YEAR EXAMINATIONS FOR THE DEGREE OF BACHELOR OF EDUCATION (ARTS)**

**TBS 203: ELEMENTS OF MACROECONOMICS**

**DATE: 18TH APRIL, 2015**  **TIME: 3:00-5:00 P.M**

Instructions: **Answer question one and any other two in section B**

**QUESTION ONE**

1. Explain the uses of national income accounting. [6 Marks]
2. Briefly explain the main components of balance of payment (6 marks)
3. Elaborate the various concepts of national income (8 marks)
4. In the recent years Kenya has been experiencing inflation tendencies that have eroded the value of money therefore making people worse off. discuss by use of examples the various types of inflation (10 marks)

**QUESTION TWO**

1. Using the LM curve, examine the effect of interest rates on investments at various levels of income. (9 marks)
2. Discuss the THREE approaches of measuring national income (10 marks)

**QUESTION THREE**

1. Discuss the challenges facing developing countries’ economic integration (8 marks)
2. Illustrate clearly by use of a diagram, the circular flow of income under Four sector economy (12 marks)

**QUESTION 4**

1. Explain the benefits of economic integration (4 marks)
2. By use of Phillips curve explain the relationship between the rate of unemployment and wage rates. (6 marks)
3. Examine the measure that can be used to curb the problem of unemployment in Kenya (10 marks)

**QUESTION 5**

1. State and explain the methods that the Kenyan government is using to curb the problem of balance of payment disequilibrium (10 marks)
2. Explain the factors that affects the terms of trade for developing countries in relation to international trade (10 marks)