

**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION WITH IT**

**1ST YEAR 2ND SEMESTER 2016/2017 ACADEMIC YEAR**

**MAIN CAMPUS ( PART TIME EVENING )**

**COURSE CODE: AEC 102**

**COURSE TITLE: MACROECONOMICS**

**EXAM VENUE: STREAM: (BBA)**

**DATE: EXAM SESSION:**

**TIME: 2 HOURS**

**Instructions:**

* **Answer Question ONE and any other TWO.**
* **Candidates are advised not to write on the question paper.**
* **Candidates must hand in their answer booklets to the invigilator while in the examination room**

**QUESTION ONE**

* The following information relates to the national income statistics of a certain country

|  |  |
| --- | --- |
| ITEMS | SHS (MILLIONS) |
| Compensation of employees | 5000 |
| Net factor income from abroad | -150 |
| Net indirect taxes | 300 |
| Profit  | 7500 |
| Private final consumption expenditure | 12000 |
| Net domestic capital formation | 400 |
| Rent  | 400 |
| Interest  | 800 |
| Mixed income of self employed | 780 |
| Net exports | -80 |
| Government consumption expenditure | 5000 |
|  |  |
|  |  |

Use income or Expenditure method to calculate the value of

* GDP at Market price
* GNP at Market price
* NNP at Market price
* NNP at Factor cost 4 Marks
* The Economic Advisory Department of Kanyasoro Republic in 2016 estimated its marginal propensity to consume (MPC) equal to 0.6; investment in millions of Shillings equal to 2,000; government spending equal to 8,000; autonomous consumption equal to 10,000; and net exports equal to 1,000. Calculate: the level of equilibrium of the country’s income for this economy. 4 Marks
* Explain any **FOUR**  measures that can be taken to combat inflation 12 Marks
* Explain five forms of taxes that the county government can impose to raise revenue 10 Marks

**QUESTION TWO**

* The Government of Kenya promised to create Five Hundred thousand jobs annually, explain both the Monetary and Fiscal policy measures if implemented can achieve this goal. 10 Marks
* Explain the reasons why it was necessary to establish Central Banks in most countries in the World 10 Marks

**QUESTION THREE**

* The following information relates to the trend of in Economic growth of a country for the last five years

|  |  |
| --- | --- |
| YEAR | PERCENTAGE % |
| 2009 - 2010 | 4 |
| 2010 - 2011 | 6 |
| 2011- 2012 | 8 |
| 2012 - 2013 | 9 |
| 2013 - 2014 | 10 |

 Explain the reasons and the consequences for this trend 10 Marks

* The following information was extracted from the Central Bank of a Country at a given period of time.

|  |  |
| --- | --- |
| Items | Amount in Millions of Ksh |
| Currency Coins | 5000 |
| Foreign Currency denominated held by the public | 4000 |
| Government Securities of Non Public | 3000 |
| Currency Notes | 7000 |
| Demand deposits held with Commercial banks | 3600 |
| Time and Saving Deposits with Non -Bank Financial Institutions | 7900 |
| Time and Saving Deposits with Commercial Banks | 1200 |

In relation to Money supply, determine MI,M2,M3M3X and M3XT 10 Marks

**QUESTION FOUR**

* Explain the reasons why there has been an increase of public expenditure for the last few years in 10 Marks
* Explain the role of Commercial Banks in economic growth and development in developing economies 10 Marks

**QUESTION FIVE**

* Describe the major components of the current and the capital account of the balance of payments 10 Marks
* Explain the importance and difficulties in measuring the national income statistics of a country 10 Marks