



# **EMBU UNIVERSITY COLLEGE**

**(A Constituent College of the University of Nairobi)**

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**2015/2016 ACADEMIC YEAR**

**SECOND SEMESTER EXAMINATION**

**SECOND YEAR EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE (AGRICULTURE), BACHELOR OF SCIENCE (AGRICULTURAL EDUCATION AND EXTENSION), BACHELOR OF SCIENCE (AGRIBUSINESS MANAGEMENT), BACHELOR OF SCIENCE (HORTICULTURE), BACHELOR OF SCIENCE (RANGE MANAGEMENT), BACHELOR OF SCIENCE (WATER RESOURCES MANAGEMENT) AND BACHELOR OF SCIENCE (MANAGEMENT OF AGRO-ECOSYSTEMS AND ENVIRONMENT)**

**AEB 210/AEC 202: MACROECONOMICS**

**DATE: APRIL 8, 2016**

**TIME: 11:00AM-01:00PM**

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## **INSTRUCTIONS:**

**Answer Question ONE and ANY Other TWO Questions**

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### **QUESTION ONE**

- a) Briefly explain the six macro economics variables. (6 Marks)
- b) Given real GNP 3058 Billions and Population 232 million people, calculate per capita income. (3 Marks)
- c) Using a diagram describe
  - i) Circular flow of income. (5 Marks)
  - ii) Business cycle. (5 Marks)
- d) Distinguish between nominal GNP and Real GNP (4 Marks)
- e)
  - i) Suppose the 1982 implicit deflator was 1.00 and the 1983 implicit deflator was 1.06, calculate the inflation rate. (4 Marks)
  - ii) Explain two adverse effects of inflation in economy. (3 Marks)

## QUESTION TWO

Describe the three approaches of estimating national income determination. (6 Marks)

Given a simple two sector economy model

$$Y = C + I$$

$$C = a + bY$$

$$I = I_0$$

In addition assume  $a = 85$

$$B = 0.45$$

$$I_0 = 55$$

- i) Compute national income (3 Marks)
- ii) Marginal propensity to consume. (3 Marks)
- iii) Marginal propensity to save (3 Marks)
- iv) Autonomous consumption. (2 Marks)
- v) State three roles of commercial banks (3 Marks)

## QUESTION THREE

- a) Explain four functions of money. (4 Marks)
- b) Name the three Keynesian demands for money. (6 Marks)
- c) Differentiate marginal propensity for consumption and marginal propensity for savings. (6 Marks)
- d) Describe the Philip's curve. (4 Marks)

## QUESTION FOUR

Describe the following

- a) Unemployment rate (3 Marks)
- b) Inflation rate (9 Marks)
- c) Three types of inflation (4 Marks)
- d) IS and LM curve (4 Marks)

## QUESTION FIVE

- a) Describe economic development. (5 Marks)
- b) Give three criteria of measuring economic development. (6 Marks)
- c) Explain how agriculture can be enhanced to boost development in Kenya. (6 Marks)
- d) Differentiate between autonomous investment and induced investment. (3 Marks)

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