



EMBU UNIVERSITY COLLEGE

(A Constituent College of the University of Nairobi)

2015/2016 ACADEMIC YEAR

SECOND SEMESTER EXAMINATION

FOURTH YEAR EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE

(AGRIBUSINESS MANAGEMENT) AND BACHELOR OF SCIENCE

(AGRICULTURE)

AEB 414: INTERMEDIATE MACROECONOMICS

DATE: APRIL 12, 2016

TIME: 02:00-04:00

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions

QUESTION ONE:

- a) Explain the components in the circular flow of income in a money economy. (5 Marks)
- b) Differentiate between microeconomics and macroeconomics. (5 Marks)
- c) Explain the difference between structural unemployment and cyclical unemployment. (5 Marks)
- d) Explain what depreciation is and discuss how depreciation is computed in national income accounting. (5 Marks)
- e) Explain what is macroeconomics and the major economic problems it deal with. (5 Marks)
- f) Explain the major components of gross national product computed by using the expenditures approach method. (5 Marks)

QUESTION TWO:

- a) Using an illustration, describe the circular flow of income without withdrawals and injections. (8 Marks)
- b) Discuss the various approaches used in measurement of the Kenyan national income. (12 Marks)

QUESTION THREE:

- a) Explain eight ways in which commercial banks play an important role in bringing economic development in a country. (8 Marks)
- b) Discuss four determinants of saving in an economy. (12 Marks)

QUESTION FOUR

- a) Differentiate between fiscal and monetary policy. (8 Marks)
- b) Discuss three monetary policy tools used by the Central Bank of Kenya to meet its dual mandate of price stabilization and full unemployment. (12 Marks)

QUESTION FIVE

- a) Explain Keynes psychological law. Further using this law illustrate the consumption demand. (8 Marks)
- b) Discuss four determinants of investment in the Kenyan economy. (12 Marks)

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