

KENYA METHODIST UNIVERSITY

**END OF 1ST TRIMESTER (SCHOOL BASED) 2014 EXAMINATION**

**FACULTY : EDUCATION AND SOCIAL SCIENCES**

**DEPARTMENT : EDUCATION**

**UNIT CODE : BUSS 115/ECON 102**

**UNIT TITLE : MACROECONOMICS**

**TIME : 2 HOURS**

Instructions: Answer any three questions.

**Question One**

1. Define the following concepts as used in economics. (10mks)
2. National income
3. Gross domestic product
4. Gross national product
5. Per capita income
6. Balance of payment
7. With the aid of a diagram, explain the circular flow of income in a two sector economy. (10mks)

**Question Two**

1. Discuss five characteristics of good money. (10mks)
2. Discuss five tools of money policy used by the central bank of Kenya to control the amount of money in circulation in the economy at any time. (10mks)

**Question Three**

1. Discuss five sources from which the government of Kenya raises tis finances. (10mks)
2. Explain five cannons of a good tax system. (10mks)

**Question four**

1. Define the term unemployment, and discuss five causes of unemployment in Kenya today. (12mks)
2. Discuss the benefits that Kenya gets by being a member of East African community. (8mks)

**Question Five**

1. Define the term inflation and discuss five negative effects of inflation. (12mks)
2. Discuss how fiscal policy is used in combating inflation. (8mks)