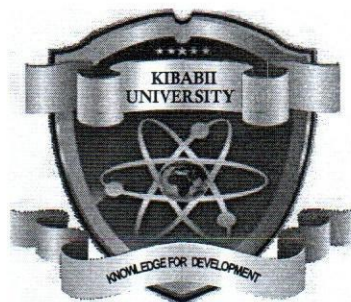


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**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2021/2022 ACADEMIC YEAR**

**FIRST YEAR SECOND SEMESTER**

**MAIN EXAMINATION**

**FOR THE DEGREE OF BCOM, BBM, BCE AND EDUCATION**

**COURSE CODE: ECO121**

**COURSE TITLE: INTRODUCTION TO MACROECONOMICS**

**DATE: 11<sup>TH</sup> MAY, 2022**

**TIME: 9.00AM - 11.00AM**

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**INSTRUCTIONS TO CANDIDATES**

Answer Question One in Section A and Any other TWO (2) Questions in Section B

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question one carries 30marks and each of the other two questions carry 20 marks each.

TIME: 2 Hours

**KIBU observes ZERO tolerance to examination cheating**

This Paper Consists of 2 Printed Pages. Please Turn Over.

**QUESTION ONE (30 MARKS)**

- a) Clearly explain why the GDP of most developing countries is greater than the GNP. (4 marks)
- b) Distinguish between 'Market price' and 'Factor cost' (3 marks)
- c) What is Liquidity Ratio? (3 marks)
- d) Distinguish between Life cycle theory and Keynesian theory of consumption (3 marks)
- e) Justify why net factor incomes from abroad is negative in developing countries (2 marks)
- f) Explain how National income is computed using the Value-Added Approach (5 marks)
- g) In which three ways was the Covid-19 pandemic beneficial to the citizens of Kenya? (6 marks)
- h) Distinguish between balance of trade and balance of payments (4 marks)

**QUESTION TWO (20 MARKS)**

- a) Measuring National Income of a country is faces numerous challenges. Using relevant examples, explain FIVE such challenges (10 marks)
- b) *Using relevant examples, discuss FIVE ways through which International trade impacts negatively to a nation.* (10 marks)

**QUESTION THREE (20MRKS)**

- a) With aid of a well-labelled diagram, explain the Life cycle theory of consumption. (8 marks).
- b) In the Kenyan context, explain FOUR demerits of high population growth. (8 marks)
- c) State Four instruments used under monetary policy. (4 marks)

**(Total 20mrks)**

**QUESTION FOUR (20MRKS)**

- a) Explain FIVE solutions to unemployment in developing countries (10 marks)
- b) Macroeconomics, as a subject, has various shortcomings. Identify and explain FIVE such weaknesses (10 marks)

**QUESTION FIVE (20MRKS)**

- a) Explain FIVE functions of the Central Bank of Kenya. (10 marks)
- b) Explain THREE circumstances in which a consumer spends money not worked for. (6 marks)
- c) Identify TWO situations where Fiscal policy is used to stabilise the economy. (4 marks)