



SCHOOL OF PROFESSIONAL STUDIES

UNIT CODE: BBA112/BBIT211: PRINCIPLES OF MACROECONOMICS

DECEMBER 2017

TIME: 3 HOURS

INSTRUCTIONS: Answer QUESTION ONE and any other TWO

QUESTION ONE

- State and explain the major goals of macroeconomic policy. (4 marks)
- Discuss any three major tools of monetary policy used in regulating the amount of money in circulation (6 marks)
- Discuss the importance of international trade for a country. (4 marks)
- Distinguish between balance of trade and balance of payments. (4 marks)
- What is the major role of the commercial banking sector in the economy? (3 marks)
- Money helps overcome the weaknesses of barter. Discuss (3 marks)
- Taxation is a means by which governments finance their expenditure. Briefly discuss why governments levy taxes. (3 marks)
- Intentional trade activities are likely to be affected by a number of factors. Discuss this statement. (3 marks)

QUESTION TWO

- Explain the following terms:-
 - Gross Domestic Products (5 marks)
 - Net National Income (5 marks)
- Explain the importance of national income estimates. (5 marks)

QUESTION THREE

- What is public finance? (2 marks)
- Explain the main functions of Central Bank of Kenya. (8 marks)
- Distinguish between the terms economic growth and economic development as used in economics. (5 marks)

QUESTION FOUR

- Explain the main causes of the disequilibrium in the balance of payments for many third world countries. (7 marks)
- Exchange rates are likely to be influenced by various factors in a country. Demonstrate your understanding of five likely influences of exchange rates (8 marks)

QUESTION FIVE

Unemployment refers to a situation where factors of production are willing and capable of being employed at the prevailing market wage rate but are involuntarily unutilized or unutilized. Discuss five causes of unemployment in Kenya and propose five strategies to curb this shortcoming. (15 marks)