



**EMBU UNIVERSITY COLLEGE**  
**(A CONSTITUENT COLLEGE OF THE UNIVERSITY OF NAIROBI)**

**TRIMESTER EXAMINATIONS 2013/2014**

**SECOND YEAR EXAMINATION FOR THE DEGREES OF BACHELOR OF SCIENCE**  
**IN AGRICULTURE, HORTICULTURE, WATER RESOURCE MANAGEMENT,**  
**AGRICULTURAL EDUCATION AND EXTENSION AND AGRIBUSINESS**  
**MANAGEMENT**

**AEC 202 & AEB 210: PRINCIPLES OF MACROECONOMICS**

**DATE: AUGUST 4, 2014**

**TIME: 8.30 – 10.30AM**

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**INSTRUCTIONS:**

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

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**QUESTION ONE**

- a) Explain four roles of the Central Bank (4 marks)
- b) Explain the key assumptions in the Keynesian Model (4 marks)
- c) Write short notes on
- i.) Gross domestic product (3 marks)
- ii.) Gross national income (3 marks)

- iii.) Gross national product (3 marks)
- d) Define the concept of national income (3 marks)
- e) Explain how the government of Kenya applies fiscal policy tools to influence demand in the economy (4 marks).
- f) List any four determinants of saving (4 marks)
- g) What is meant by the term balance of payment? (2 marks)

### **QUESTION TWO**

- a) Differentiate between microeconomics and macro-economics (5 marks)
- b) Define the term fiscal policy and list the tools fiscal policy use to achieve its objective of maximum employment and price stability (5 marks)
- c) Commercial bank plays a major role in modern economy. Explain the functions of Commercial Banks in any economy (10 marks)

### **QUESTION THREE**

- a) Identify and describe the four types of productive resources (inputs) and the kind of income each resource earns. (12 marks)
- b) Discuss any four factors that influence the size of the national income (8 marks)

#### **QUESTION FOUR**

- a) Using appropriate illustrations, describe a four sector circular flow of income (12 marks)
- b) Explain at least four determinants of consumption in an economy (8 marks)

#### **QUESTION FIVE**

- a) Discuss any four monetary policy tools used by the Central Bank to meet its dual mandate of price stabilization and low unemployment (8 marks)
- b) Discuss four determinants of investment in an economy (12 marks)

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