



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

**A. M. E. C. E. A**

**MAIN EXAMINATION**

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**AUGUST – DECEMBER 2016 TRIMESTER**

**FACULTY OF ARTS AND SOCIAL SCIENCES**

**DEPARTMENT OF DEVELOPMENT STUDIES**

**REGULAR PROGRAMME**

**SDS 206: INTRODUCTION TO MACROECONOMICS**

**Date: DECEMBER 2016**

**Duration: 2 Hours**

**INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions**

- Q1. a) Illustrate your understanding of the following concepts.
- i) Macroeconomics (3 marks)
  - ii) Gross Domestic Product (3 marks)
  - iii) Aggregate Demand (3 marks)
  - v) Net Foreign Investment (3 marks)
- b) List the **three** interpretations contained in the concept of national income (3 marks)
- c) Describe the **four** difficulties which are faced in measuring the national income of underdeveloped economies. (5 marks)
- d) State the **five** factors on which consumption depends. (5 marks)
- e) Detail the concept that 'savings are always equal to investments'. (5 marks)
- Q2. a) Demonstrate your understanding of the term investment, distinguish between autonomous and induced investment, then summarize the determinants of investment. (12 marks)
- b) Illustrate your understanding of national income accounting and then discuss briefly the methods used to measure national income of any country. (8 marks)
- Q3. a) Differentiate transitional unemployment from structural unemployment and then narrate at least **five** methods that can be adopted to solve the

problem of unemployment in societies of developing economies. **(12 marks)**

b) Elaborate on the 'balance of payments' and then relate the different views regarding the difference between the balance of trade and the balance of payments. **(8 marks)**

Q4. a) Describe inflation, the types and causes of inflation and the impact of inflation on society. **(12 marks)**

b) With the help of a diagram and a schedule differentiate between the law of demand and the law of supply. **(8 marks)**

Q5. a) Discuss the Keynesian theory of income and employment and relate the **three** related propositions consisted in the Keynes psychological law of consumption. **(10 marks)**

b) Examine at least **five** of the seven main facts that indicate the importance of the concept of national income. **(10 marks)**

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