



RIARA SCHOOL OF BUSINESS
NURTURING INNOVATORS

JANUARY APRIL 2023 SEMESTER EXAMINATIONS
EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION AND
BACHELOR OF BUSINESS INFORMATION TECHNOLOGY
DAY PROGRAMME

RFN 104: PRINCIPLES OF MACROECONOMICS

DATE: APRIL 2023

TIME: 2 HOURS

GENERAL INSTRUCTIONS:

Students are NOT permitted to write on the examination paper during reading time.

This is a closed book examination. Text book/Reference books/notes are not permitted.

SPECIAL INSTRUCTIONS:

- 1 Write your REGISTRATION NO. Clearly on the answer booklet(s).
- 2 Answer Question One and ANY other TWO questions.
- 3 Questions in all sections should be answered in answer booklet(s).
- 4 Marks allocated to each question are shown at the end of the question.
- 5 PLEASE start the answer to EACH question on a NEW PAGE.
- 6 For the questions, write the number of the question on the answer booklet(s) in the order you answered them.
- 7 Write your answers in paragraph form unless stated otherwise.
- 8 Keep your phone(s) SWITCHED OFF at the front of the examination room.
- 9 Keep ALL bags and caps at the front of the examination room and do not refer to any unauthorized material before or during the course of the examination.
- 10 You are only allowed to leave the examination room 30minutes to the end of the Examination.

QUESTION ONE: COMPULSORY (30 MARKS)

- a) Explain **five** tools of monetary policy. **(10 marks)**
- b) Articulate **five** measures that the government can put in place to boost the levels of capital formation in the economy. **(10 marks)**
- c) The following data represents economic transactions of a hypothetical economy with a population of 10 million people:

	KShs. "million"
Government final expenditure	6,950
Consumer expenditure	18,300
Gross domestic capital formation	6,100
Imports of goods and services	9,600
Exports of goods and services	8,750
Transfer payments	675

Required:

Compute:

- i) Gross Domestic Product. **(4 marks)**
- ii) The contribution of consumption to GDP. **(2 marks)**
- iii) The savings rate in the economy. **(2 marks)**
- iv) The GDP per capita. **(2 marks)**

QUESTION TWO (20 MARKS)

- a) Explain **six** policy measures that an economy can employ to improve productivity. **(12 marks)**
- b) Describe **four** types of unemployment **(8 marks)**

QUESTION THREE (20 MARKS)

- a) Explain **five** functions of the Central Bank of Kenya. **(10 marks)**
- b) i) Define balance of payments **(1 mark)**
ii) Describe the **three** components of the balance of payments accounts. **(9 marks)**

QUESTION FOUR (20 MARKS)

- a)** i) Define fiscal Policy. **(2 marks)**
ii) Describe the **two** main tools of fiscal policy and show how they are used to stabilize the economy **(6 marks)**
- b)** Explain **four** determinants of productivity **(12 marks)**

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