Where Leaders are Made

UNIVERSITY EXAMINATIONS: 2025/2026

EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

BIT206|BCM106|BUS2113

BCM

BUS

MACROECONOMICS

END TERM EXAMINATION

DATE: DECEMBER, 2025 **TIME: 2 HOURS**

INSTRUCTIONS: Question One is Compulsory, Choose Three Other Questions

SECTION A (COMPULSORY)

QUESTION ONE (15 Marks) Compulsory

a) Distinguish between *microeconomics* and *macroeconomics* with a clear example in relation to economic policy formulation *(3 marks)*

b) Using the circular flow of income model, describe how leakages and injections determine the level of national income in an economy. *(3 marks)*

c) Discuss how fiscal and monetary policies can be used together to stabilize the economy during periods of recession. *(3 marks)*

d) Describe a *business cycle* and identify its four phases. *(3 marks)*

e) Suggest policies Kenya could adopt to safeguard its economy from external shocks. *(3 marks)*

SECTION B

(ANSWER ANY THREE (3) QUESTIONS IN THIS SECTION)

QUESTION TWO – 15 Marks

a) Explain the three approaches to measuring national income and assess their relevance in evaluating Kenya's economic performance. *(8 marks)*
b) Analyze any three limitations of using GDP as an indicator of national welfare, providing examples from Kenya's context. *(7 marks)*

QUESTION THREE – 15 Marks

a) Discuss and highlight the role of consumption, savings, and investment functions in achieving equilibrium. *(8 marks)*
b) Outline importance of the *multiplier effect* in stimulating aggregate demand during an economic slowdown. *(7 marks)*

QUESTION FOUR – 15 Marks

a) Evaluate the major fiscal policy tools available to the Kenyan government for managing inflation and unemployment. *(8 marks)*
b) Discuss the challenges and limitations faced by developing countries in applying expansionary fiscal policy. *(7 marks)*

QUESTION FIVE – 15 Marks

a) Explain how the Central Bank of Kenya uses monetary policy instruments to influence money supply and price stability. *(8 marks)*
b) Discuss the impact of monetary tightening on investment, employment, and inflation in a developing economy. *(7 marks)*

QUESTION SIX – 15 Marks

a) Examine the causes and effects of inflation and unemployment in Kenya, citing policy measures to control each. *(8 marks)*
b) Discuss how exchange rate movements and balance of payments dynamics affect Kenya's trade competitiveness and economic growth. *(7 marks)*