



Riara School of Business
Nurturing business innovators

SEPTEMBER - DECEMBER 2019 TRIMESTER
EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION

DAY PROGRAMME

RFN 104: PRINCIPLES OF MACROECONOMICS

DATE: DECEMBER 2019

TIME: 2 HOURS

INSTRUCTIONS

- i) Answer QUESTION ONE and any other two questions.**
 - ii) Marks allocated to each question are shown at the end of the question**
 - iii) Arrange your work neatly and indicate the questions answered in the Examination booklet**
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QUESTION ONE: COMPULSORY (30 MARKS)

- a) Consider an economy where there are 10 million employed people, 15 million are unemployed and 5 million are not in the labour force. Compute:
 - i) The adult population
 - ii) The labour force
 - iii) The labour force participation rate
 - iv) The unemployment rate **(8 marks)**
- b) Evaluate **three** causes of inflation and suggest **three** mechanisms of dealing with inflation in the economy. **(12 marks)**
- c) Explain **FIVE** functions of the Central Bank of Kenya **(10 marks)**

QUESTION TWO

- a) Describe **five** determinants of exchange rates. **(10 marks)**

- b) Explain **five** practical measures that a country like Kenya can adopt to increase the rate of capital accumulation. **(10 marks)**

QUESTION THREE

- a) Explain **five** functions of money in the economy. **(10 marks)**
b) Evaluate **five** tools of monetary policy. **(10 marks)**

QUESTION FOUR

- a) Examine the determinants of productivity. **(12 marks)**
b) Describe the tools of fiscal policy and how they are used to stabilize the economy. **(8 marks)**

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