The Co-operative University of Kenya

END OF SEMESTER EXAMINATIONS – DECEMBER 2022

EXAMINATIONS FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE BUSINESS/COMMERCE/ENTRENEURSHIP/ACTURIAL SCIENCE (YEAR I SEM II)

COURSE CODE: BECO 11O3

COURSE TITLE: PRINCIPLES /INTRODUCTION TO MACRO-ECONOMICS

EXAMINATION DATE: **TIME:**

INSTRUCTIONS:

- Answer question **ONE** and any other **TWO** questions

QUESTION ONE

a) Distinguish between the following

   i) Gross domestic product and Gross National product (2 marks)

   ii) Real National output and Nominal National output (2 marks)

   iii) NNP at factor cost and NNP at market prices (2 marks)

b) Explain four main macroeconomic policy objectives in a country giving appropriate examples (4 marks)

c) The data below relates to various parameters in an economy in billions of shillings

   Indirect taxes 220.4

   Subsidies 55.1

   NNP at factor cost 4415

   Depreciation 395

Required

Compute the NNP (MP) and GNP at factor cost for this economy (6 marks)

d) The following information relates to the national income parameters of your economy in millions of shillings

   $C = 300 + 0.45Y^d$ (Consumption function)

$G = 400$ (Government expenditure)

$I=200$ (Investment)

$T=200 + 0.25Y$ (Tax function)

$X=500$ (Exports)

$M=400 + 0.2Y$ (Import function)

Where

Y^d =disposable income

Required:

i) Find the equilibrium values of income, consumption, taxes and imports

ii) Explain whether this economy is characterized by

a) Budget deficit or surplus (1 Mark)

b) Trade deficit or surplus (1 Mark)

iii) Highlight FOUR difficulties in the computation of national income statistics (4 Marks)

e) Discuss any Five limitations of using National statistics as a measure of comparison between standards of living in different countries (5 Marks)

QUESTION TWO

a) Discuss five main causes of inflation in developing countries (5 Marks)

b) Suggest any five measure the government can implement to combat inflation in a country (5 Marks)

c) Some economist argues that “a little bit of inflation is healthy for the economy’ while too much of it is dangerous. Explain briefly this statement (10 marks)

QUESTION THREE

a) Distinguish between the following types of unemployment giving examples

i) Hidden and cyclical unemployment (2 marks)

ii) Seasonal and casual unemployment (2 marks)

iii) Open and Voluntary unemployment (2 marks)

b) Unemployment has been a major economic concern for developing countries. Suggest any five economic policies that may be used to reduce unemployment

(5 Marks)

c) Identify and explain any five roles played by commercial banks in your country

(5 marks)

QUESTION FOUR

a) Distinguish between

i) Terms of trade and balance of trade (2 Marks)
ii) Common market and a custom union (2 marks)

b) Explain six non-tariff barriers that a country can use in international trade (6 Marks)

c) Discuss any six strategies that can be adopted to correct unfavorable balance of payment in developing countries (10 Marks)

QUESTION FIVE

a) Explain the difference between the following terms giving examples in each case

i) Regressive and progressive tax (2 Marks)

ii) Direct and indirect tax (2 Marks)

iii) Public expenditure and public revenue (2 Marks)

b) The Kenya's economy has in the recent past experienced an unprecedented increase in public debt. Suggest any five ways which the government can implement to reverse this trends (10 Marks)

c) Suggest FOUR reasons why regional integration in Africa countries is relatively less successful than in the industrialized countries (4 Marks)