The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2016

EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE BUSINESS
(BCOB YR 1 SEM II)

UNIT CODE: HCOB 2116

UNIT TITLE: INTRODUCTION TO MACROECONOMICS

DATE: 27TH AUGUST, 2019 **TIME: 11.30 PM – 1:30 PM**

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

(a) The following functions characterizes the Macroeconomic conditions of an Hypothetical Economy.

C = $106 + 0.8y^d$ (Consumption function)
1 = 100 (Investment)
G = 400 (Government purchase)
T = 10 + 0.25y (Tax function)
X = 500 (Exports)
M = 10 + 0.1 Y (Export functions)

Required:
(I) Derive Equilibrium Income (Y), Tax Revenue (T) Imports (M) and consumption (C) (8 Marks)
(b) Determine whether the Economy has a Budget deficit or surplus and Trade deficit or Trade surplus. (4 Marks)
(c) Explain the CANNONS of a good Tax system in an Economy of your choice. (8 Marks)
(d) Briefly discuss the importance of Macroeconomics in Kenya. (4 Marks)
(e) Explain methods available to Central Bank of Kenya to control the supply of money. (6 Marks)

QUESTION TWO

(a) Discuss FIVE types of investment in an Economy. (10 Mark)
(b) Explain the Theory of comparative Advantage citing examples in each case. (10 Marks)

QUESTION THREE

(a) Explain TWO causes of Inflation in Kenya. (10 Marks)
(b) Discuss FIVE types of unemployment in Kenya. (10 Marks)

QUESTION FOUR

(a) With a well – labeled diagram/graph, explain the circular flow of income in a two sector Economy model. (10 Marks)

(b) “Trade may occur because one country is Endowed with Natural resources such as oil or minerals. “ In light of this statement, discuss the advantages of International Trade. (10 Marks)

QUESTION FIVE

(a) Keynesiun Theory of Money Demand holds that, there are THREE motives holding money. Discuss those motives with relevant examples in your everyday life. (10 Marks)

(b) Discuss the problems faced by Economic Integration in Developing countries. (10 Marks)