



# The Co-operative University of Kenya

**END OF SEMESTER EXAMINATION AUGUST -2018**

**EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT**

**(YR II SEM I)**

**UNIT CODE: COCM 1205**

**UNIT TITLE: INTRODUCTION TO MACRO-ECONOMICS/ MACROECONOMICS**

**DATE: 24<sup>TH</sup> AUGUST, 2018**

**TIME: 2:00 PM – 4:00 PM**

## **INSTRUCTIONS:**

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

### **QUESTION ONE**

- (a) Distinguish between Gross Domestic Product and Net National Product. (2 Marks)
- (b) The following information represents the National Income model of a simple economy
- $$Y = C + I$$
- $$C = 400 + 0.8 Y_d$$
- $$I = 200$$
- $$T = 40 + 0.6 Y$$
- Required;
- (i) Calculate Income (Y), Consumption © and Taxes (T) at the equilibrium level (9 Marks)
- (ii) Get the level of savings. (2 Marks)
- (iii) Comment on the relationship between Savings and Investments. (2 Marks)
- (c) Discuss **THREE** reasons why studying Macroeconomics is important. (6 Marks)
- (d) Explain **THREE** types of unemployment and the causes of each. (9 Marks)

### **QUESTION TWO**

- (a) Discuss **THREE** types of inflation in a country. (6 Marks)
- (b) Explain **FIVE** key functions of the Central Bank of a country. (10 Marks)
- (c) Briefly describe the concept of Credit creation (4 Marks)

### **QUESTION THREE**

- (a) Outline **FOUR** functions of commercial banks in a country. (4 Marks)
- (b) Using a well labeled diagram, explain the circular flow of income in a 2 – sector economy. (10 Marks)
- (c) Explain the **THREE** reasons for money demand according to Keynes. (6 Marks)

### **QUESTION FOUR**

- (a) Outline **SIX** characteristics of money. (6 Marks)
- (b) Distinguish between Multiplier effect and accelerator effect. (4 Marks)
- (c) With the help of a well labeled diagram, describe the phases that characterize a trade cycle in an economy. (10 Marks)

### **QUESTION FIVE**

Distinguish between the following terms;

- (a) Per capita income and Disposable income. (5 Marks)
- (b) Direct taxes and Indirect taxes. (5 Marks)
- (c) Inflationary gap and Deflationary gap. (5 Marks)
- (d) Fiscal policy and monetary policy. (5 Marks)