



The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER -2018

**EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE
BUSINESS / BACHELOR OF COMMERCE
(YR I SEM II)**

UNIT CODE: HBC 2111/CMCC 2108/HCOB 2104

**UNIT TITLE: INTRODUCTION TO MACROECONOMICS/FUNDAMENTALS OF
MACROECONOMICS/PRINCIPLES OF MACROECONOMICS**

DATE: 17TH DECEMBER, 2018

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

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

QUESTION ONE

- (a) The following data characterizes the macroeconomic conditions of a hypothetical economy.

$C = 50 + 0.8 Y^d$	(Consumption)
$I = 100$	(Investment)
$G = 75$	(Government Expenditure)
$T = 75$	(Taxes)

Required;

- (i) Compute the Equilibrium income of the economy. (6 Marks)
(ii) Calculate the value of multiplier. (2 Marks)
- (b) Explain FOUR limitations of Macroeconomics (8 Marks)
(c) Discuss TWO causes of inflation (6 Marks)
(d) Briefly explain the advantages of economic integration. (5 Marks)
(e) State THREE types of unemployment found in Kenya. (3 Marks)

QUESTION TWO

- (a) Discuss FIVE types of investment that can be undertaken in an economy. (10 Marks)
(b) Explain the reasons as to why the Kenyan Government has found it difficult to reduce its ever-ballooning wage bill. (10 Marks)

QUESTION THREE

- (a) Suppose in an economy Autonomous Investment is ksh. 600 and the following consumption function is given as $C = 200 + 0.8Y$

Required;

- Compute the Equilibrium Income. (5 Marks)
- (b) Discuss FIVE principles that govern public expenditure decisions in Kenya. (10 Marks)
(c) Identify FIVE monetary policies Kenya government may use with an aim to reduce the money supply. (5 Marks)

QUESTION FOUR

- (a) Explain FIVE cannons of a good Tax system. (10 Marks)
(b) Kenya has been classified as a middle-income economy. Discuss the pros of these classifications in reference to a common Kenyan. (10 Marks)

QUESTION FIVE

- (a) Discuss FIVE functions of Central Bank of Kenya. (10 Marks)
- (b) Keynesian theory identifies THREE types of demand for holding money. Explain these THREE types giving examples in each case. (10 Marks)