



The Co-operative University College of Kenya
(A Constituent College of Jomo Kenyatta University of Agriculture & Technology)

END OF SEMESTER EXAMINATION APRIL, 2016

**EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVES AND
COMMUNITY DEVELOPMENT / BACHELOR OF CO-OPERATIVE BUSINESS
(YR I SEM II)**

UNIT CODE: HCOB 2116 / COCC 2108

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

DATE: 14TH APRIL, 2016

TIME: 2:00 PM – 4:00 PM

INSTRUCTIONS:

Answer Question **ONE** and any other **TWO** questions.

QUESTION ONE

- a) Distinguish between the following
- Gross domestic product and Gross National Product (2 Marks)
 - Real National output and Nominal National output (2 Marks)
 - NNP at factor cost and NNP at market prices (2 Marks)
- b) Explain FIVE (5) main macroeconomic policy objectives in a country giving appropriate examples (5 Marks)
- c) The following information relates to the national income parameters of your economy in millions of shillings

$$C = 28 + 0.4Y^d$$

$$G = 400$$

$$I = 200$$

$$T = 20 + 0.05Y$$

$$X = 10$$

$$M = 40 + 0.2Y$$

Where

I= Investment

T=Taxes

X=Exports

M=Imports

Y^d =Disposable Income

Required:

- Find the equilibrium values of income, consumption, taxes and imports (10 Marks)
- Highlight FOUR limitations of national income statistics (4 Marks)

- d) Describe briefly any FIVE reasons why National income statistics is not a good measure of standards of living in Kenya (5 Marks)

QUESTION TWO

- a) Discuss FIVE main causes of inflation in developing countries (5 Marks)
- b) Suggest any FIVE appropriate monetary policy instrument the government can implement to combat inflation in a country (5 Marks)
- c) Inflation can have both positive and negative effects in an economy. Discuss (10 Marks)

QUESTION THREE

- a) 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)
- b) Citing practical examples, explain the differences between the following types of unemployment and how each affect economic growth in a country
- Seasonal and casual unemployment (4 Marks)
 - Disguised and demand deficient unemployment (4 Marks)
- c) Suggest policy measure which is implemented would alleviate the problem of youth unemployment in Kenya (6 Marks)

QUESTION FOUR

- a) Distinguish between terms of trade and balance of trade in context of international trade (4 Marks)
- b) Explain SIX (6) non-tariff barriers that a country can use in international trade (6 Marks)
- c) Discuss any SIX (6) strategies that can be adopted to correct unfavorable balance payment in developing countries (10 Marks)

QUESTION FIVE

- a) Outline characteristics of a good tax system (5 Marks)
- b) State reasons why regional integration in African countries is relatively less successful than in the industrialized countries (5 Marks)
- c) Identify and explain any FIVE (5) roles played by commercial banks in economic development in your country (5 Marks)
- d) The Kenya's economy has in the recent past experienced an unprecedented increase in public expenditure. Suggest any FIVE (5) ways which the government can be implemented to reverse this trend (5 Marks)