

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

RESIT/SPECIAL

EXAMINATIONS FOR THE AWARD OF DEGREE OF BACHELOR OF  
COOPERATIVE MANAGEMENT

BCOP 251: COOPERATIVE ECONOMICS

STREAMS: BCOP

TIME: 2 HOURS

DAY/DATE: TUESDAY 02/02/2021

8.30 A.M. – 10.30 A.M.

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INSTRUCTIONS: Answer Question One and any Other Two Questions

1. “An expansionary monetary policy may only accelerate the rate of inflation and cause a higher level of unemployment in the long run”. Explain (8 marks)
2. Explain consumer’s equilibrium under the cardinalist approach (5 marks)
3. Explain the conditions for profit maximization for a firm (4 marks)
4. Given a firm’s production function is  $Q = L^{0.5}K^{0.5}$ , and the cost function is given as  $C = wL + rK$  where  $w$  and  $r$  are the prices of inputs (labor and capital).  
Find;
  - i. The conditional input demand functions (4 marks)
  - ii. Minimum cost (3 marks)
5. Discuss the role of fiscal policy in classical macroeconomics (6 marks)

**QUESTION TWO**

1. Briefly explain the major contributions of the rational expectation theory (6 marks)
2. Discuss and illustrate the inflationary and deflationary gaps and explain how they can be removed (10 marks)
3. Discuss the Keynesian criticisms of Classical macroeconomics pillars (4 marks)

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### QUESTION THREE

1. Discuss the principles of a good tax system (6 marks)
2. Clearly explain the life cycle income theory of consumption (6 marks)
3. Discuss the methods of monetary policy that are used by the government of Kenya (8 marks)

### QUESTION FOUR

1. Discuss the major goals of macroeconomic policy (4 marks)
  2. Discuss the importance of government to an economy (6 marks)
  3. Discuss the contribution of cooperatives to economic development (10 marks)
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