



UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COOPERATIVE
MANAGEMENT**

BCOP 251: COOPERATIVE ECONOMICS

STREAMS: BCOP Y2S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 18/12/2024

8.30 A.M – 10.30 A.M

INSTRUCTIONS:

Answer question ONE and any other TWO questions.

QUESTION ONE (30 MARKS)

- a) Discuss the importance of public sector economics to the development of cooperative societies in Kenya. (7 marks)
- b) Suppose the demand function for a given commodity is $Q= 100-4P$ and the total cost function is $3Q^2 + 10Q$. Calculate;
 - i. The equilibrium quantity. (4 marks)
 - ii. Equilibrium price and profit. (4 marks)
- c) Discuss the major differences between the relative income hypothesis and absolute income hypothesis theories of consumption. (4 marks)
- d) Discuss the monetary policy tools used to control money supply in an economy. (6 marks)
- e) Explain five factors that affect the level of addition of capital stock in an economy 5 marks

QUESTION TWO (20 MARKS)

- a) Given the following information about a certain economy.

$$C = 500 + 0.85Y^d \rightarrow \text{consumption function}$$

$$I = 200 - 10r \rightarrow \text{Investment function}$$

$$T = 60 + 0.2Y \rightarrow \text{Tax function}$$

$$G = 150 \rightarrow \text{Government expenditure}$$

$$M = 120 + 0.1Y \rightarrow \text{Imports}$$

$$X = 200 \rightarrow \text{Exports}$$

$$Ms = 800 - \text{Money Supply}$$

$$Md = 0.4Y - 10r - \text{Money demand}$$

Required;

- i. Derive the IS and LM schedules [4 marks]
 - ii. Find the equilibrium income, interest rate, import and consumption [6 marks]
- a) Using a well labeled diagram discuss the stages of production. (10 marks)

QUESTION THREE (20 MARKS)

- a) Explain the conceptual difference between cardinal and ordinal consumer theory and hence discuss the assumptions made under each approach (10 Marks)
- b) Given the following Average total cost function, $ATC=150 - 18Q+33Q^2 +41Q^3$
 - (i) Calculate the total fixed cost (TFC) at output 5 units (3 marks)
 - (ii) Calculate the total variable cost (TVC) at output 7 units (3 marks)
 - (iii) Calculate the marginal cost (MC) at output 13 units (4 marks)

QUESTION FOUR (20 MARKS)

- a) Discuss the contribution of cooperative societies to the economy of a developing nation. (8 marks)
- b) The COVID-19 Pandemic caused a global slow-down of economic activities which in turn led to massive job losses. This has worsened the unemployment problem in Kenya which already existed even before pandemic.
 - i) How would you categorize this form of unemployment caused by the COVID-19 Pandemic? Explain (2marks)
 - ii) Using your own country experience, explain the measures that the government can undertake to reduce the level of unemployment in the country for speedy recovery of economy. (10marks)