

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
CDEV 253: ECONOMIC DEVELOPMENT PLANNING**

STREAMS: SB

TIME: 2 HOURS

DAY/DATE: TUESDAY 04/12/2018

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

SECTION ONE

1. (a) Write brief notes on the following:
 - (i) Human wants. (3 marks)
 - (ii) Scarcity and choice. (3 marks)
 - (iii) Opportunity cost. (3 marks)
- (b) Expound on the term “inferior goods” (3 marks)
- (c) Explain the law of supply (2 marks)
- (d) Distinguish microeconomics from macroeconomics. (4 marks)
- (e) State the factors that influence demand of a commodity. (6 marks)
- (f) Give the arguments for and against monopoly. (6 marks)

SECTION TWO

2. (a) Explain the characteristics of free market economy. (12 marks)
- (b) Explain the factors that influence cost behaviour in a firm. (8 marks)

3. (a) The demand and supply schedules for carrots in a certain market are given below.

Price KShs “000” per ton	Quantity demanded per month (thousands of tons)	Quantity supplied per month (thousands of tons)
2	110.0	5.0
4	90.0	46.0
8	67.5	100.0
10	62.5	115.0
12	60.0	122.5

Determine the equilibrium quantity and price by graphical method. (10 marks)

- (b) Identify the source of monopoly power. (10 marks)
4. (a) Define the term ‘price control’ and explain the reasons why the government find it necessary to impose price controls. (10 marks)
- (b) Describe the features of a command/planned economy. (10 marks)
5. (a) Explain the reasons why the government should intervene in an economy. (10 marks)
- (b) Define demand. Explain the law of demand by the help of a schedule and diagram. (10 marks)
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