

CHUKA



UNIVERSITY

**SUPPLEMENTARY/ SPECIAL EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF DEGREE OF  
BACHELOR OF PROCUREMENT AND LOGISTICS MANAGEMENT**

**BPLM 101/ ECON 100: ECONOMICS**

**STREAMS: BPLM**

**TIME: 2 HOURS**

**DAY/DATE: MONDAY 01/02/2021**

**2.30 PM – 4.30 PM**

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**INSTRUCTIONS:**

*Answer Question One and any Other Two Questions*

**QUESTION ONE (30 MARKS)**

1. Differentiate between the following;
  - i. Induced and autonomous investment. (2 marks)
  - ii. Average propensity to consume and marginal propensity to consume. (2 marks)
  - iii. Per capita income and personal income. (2 marks)
  - iv. Gross domestic product and gross national product. (2 marks)
  - v. Disguised unemployment and underemployment. (2 marks)
  
2. Given the following information about a certain economy  
 $C=50+0.75Y^d$   
 $T=20$   
 $I=300$   
 $G=500$   
  
Calculate the following;
  - i. investment multiplier (2 marks)
  - ii. government multiplier (2 marks)
  - iii. Derive the savings function (2 marks)
  
3. Explain the major goals of macroeconomics policy. (8 marks)
  
4. Discuss the drawbacks associated with per capita income as a measure of social welfare of people. (6 marks)

**Question Two**

(a) Given the total cost function below:

$$TC = 1000 + 100Q - 15Q^2 + Q^3$$

- (i) Determine average fixed cost when the output (Q) is 10 units. (2 marks)
- (ii) Compute the total and average costs at the level of (10 units). (4 marks)
- (iii) What is the level of marginal cost at the level of 12 units of production? (4 marks)

b). Explain the conceptual difference between cardinal and ordinal utility; hence explain the assumptions made under each approach. (10mks)

**Question three**

a). Explain five factors that determine elasticity of supply. (10 marks)

b). using the indifference curve and budget line, clearly discuss the equilibrium of the consumer. (5 marks)

c). discuss the exceptions to the law of demand. (5 marks)

**Question four**

I. Explain the effects of a fall in supply on the price and output of a commodity using an illustration. (10 marks)

II. Discuss the sources of monopoly power. (10 marks)

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