

ECON 100

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

ECON 100: INTRODUCTION TO ECONOMICS

STREAMS:

TIME: 2 HOURS

DAY/DATE: MONDAY 17/12/2018

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

1. Differentiate between the following terms as used in economics
 - (i) Demand schedule and demand curve [2 marks]
 - (ii) Scarcity and opportunity cost [2 marks]
 - (iii) Giffen good and Veblen good [2 marks]
 - (iv) Total utility and marginal utility [2 marks]
 - (v) Isoquant and Isocost line [2 marks]
2. Discuss the assumptions of the ordinal utility approach [5 marks]
3. The following economic functions have been derived from the books of Kenya Coffeex ltd
$$Q_1 = 3P^2 - 4P$$
$$Q_2 = 24 - P^2$$
 - (a) Of the two functions, which one is the demand and which is the supply curve? Why? [2 marks]
 - (b) At what values of price and quantity would the market clear? [3 marks]
4. Given the following cost function for a firm
$$C = 550 + 20Q + 350Q^2 - 20Q^3$$

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Find the following:

- (i) Average fixed cost [1 mark]
 - (ii) Marginal cost at $Q=15$ units [2 marks]
 - (iii) Average variable cost at $Q=10$ units [2 marks]
5. Discuss the reasons why a demand curve would slope upwards [5 marks]

QUESTION TWO

- (i) Explain the role of the agricultural industry in the Kenyan economy [10 marks]
- (ii) Using an illustration, discuss the stages of production and highlight the best stage for any rational producer [10 marks]

QUESTION THREE

- (i) Explain the determinants of consumption spending [4 marks]
- (ii) Using the characteristics of each, differentiate between oligopoly and perfect competitive markets [10 marks]
- (iii) Highlight the difficulties encountered in measuring national income [6 marks]

QUESTION FOUR

- (i) Clearly discuss any 5 types of unemployment and suggest possible remedies [5 marks]
 - (ii) Discuss the circular of income model for a three sector economy. Hence discuss leakages and injections from the model [5 marks]
 - (iii) Explain the effects of a fall in supply on the price and output of a commodity using an illustration [10 marks]
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