

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF
DIPLOMA IN PROCUREMENT AND LOGISTICS MANAGEMENT**

DPLM 0141: INTRODUCTION TO ECONOMICS

STREAMS: DPLM

TIME: 2 HOURS

DAY/DATE: MONDAY 05/08/2019

8.30 AM – 10.30 AM

INSTRUCTIONS:

- **Answer Question One and any other Two**
- **Do not write anything on the question paper**

Question One

- (a) Briefly, explain the following terms as used in economics
- (i) Microeconomics and Macroeconomics
 - (ii) Demand and Supply
 - (iii) Gross Domestic Product and Gross National Product
 - (iv) Marginal Utility and Total Utility [8 marks]
- (b) Discuss the three motives of holding money according to Keynes. [5 marks]
- (c) Highlight the assumptions made under cardinal utility approach. [6 marks]
- (d) Describe the circular flow of income of a two-sector economy using appropriate diagram. [5 marks]
- (e) Discuss the effects of inflation in an economy. [5 marks]

Question Two

- (a) Highlight the exemptions to the law of demand. [10 marks]

- (b) Per capita income is not a good measure of national well-being of people in an economy. Discuss. [10 marks]

Question Three

- (a) Given the total cost function below

$$TC = 4230 + 100Q - 30Q^2 + Q^3$$

- (i) Compute Average fixed cost when output (Q) is 10 units. [2 marks]
- (ii) Determine the total cost and total average cost at the level when Q = 10 units. [4 marks]
- (iii) What is the level of marginal cost when Q = 157 [4 marks]
- (b) Discuss the causes and remedies of unemployment in any developing country. [10 marks]

Question Four

Given the following functions

$$Q = 16 - 6P$$

$$Q = -14 + 9P$$

- (i) Identify the demand and supply functions giving reasons for each. [3 marks]
- (ii) Determine the equilibrium prices and quantity. [4 marks]
- (iii) Present the above solution in a diagram. [3 marks]
- (b) Demand curve for an oligopolistic firm is kinked, using a well labelled diagram discuss. [6 marks]
- (c) Discuss the major functions of money. [4 marks]
-