

**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: TUESDAY 10/12/2019**

**11.30 AM – 1.30 PM**

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**INSTRUCTIONS:**

**ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE**

- (a) Distinguish between the following concepts as used in economics.
- (i) Gross domestic product (GDP) and gross national product (GNP) [2 marks]
  - (ii) Scarcity and opportunity cost [2 marks]
  - (iii) Marginal utility and total utility [2 marks]
  - (iv) Disguised unemployment and underemployment. [2 marks]
- (b) Highlight the exceptions to the law of demand. [3 marks]
- (c) Given the total cost function below  $TC = 1500 + 150Q - 15Q^2 + Q^3$
- (i) Determine average fixed cost when the output (Q) is 20 units. [2 marks]
  - (ii) Compute the total and average costs at the output level of 20 units. [4 marks]
  - (iii) Compute marginal cost at the level of 12 units of production [4 marks]
- (d) Briefly explain the features of a perfect competitive market structures. [4 marks]
- (e) Explain the concept of Production Possibly Frontier (PPF) using a suitable diagram. [5 marks]

**QUESTION TWO**

- (a) Explain the functions of money. [4 marks]

- (b) Explain the major goals of macroeconomic policy. [8 marks]
- (c) Discuss the drawbacks associated with per capita income as a measure of social welfare of people. [8 marks]

**QUESTION THREE**

- (a) Discuss the various types of unemployment in Kenya suggesting their possible remedies. [8 marks]
- (b) Using an illustration, explain the simple circular flow of income in a 2-sector economy. [6 marks]
- (c) Identify the motives of holding money according to Keynesian. [6 marks]

**QUESTION FOUR**

- (a) Highlight the sources of monopoly power. [6 marks]
- (b) Discuss the effects of inflation to an economy. [6 marks]
- (c) Given the following functions  
 $Q_1 = 20 - 3P$   
 $Q_2 = 10 + 2P$
- (i) Identify the demand and supply function giving the reasons for each. [3 marks]
- (ii) Determine the equilibrium price and quantity. [3 marks]
- (iii) Represent the above results in a diagram. [2 marks]
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