CHUKA   **UNIVERSITY**

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF EDUCATION ARTS

ECON 100:   INTRODUCTION TO ECONOMICS

STREAMS: AGED & FOOD SCIENCE   **TIME: 2 HOURS**

DAY/DATE:

INSTRUCTIONS:
- **Answer Question ONE and any other TWO Questions.**

QUESTION ONE
(a) Define economics and outline the reasons why we study economics.   [6 Marks]
(b) Explain the attributes of money. [8 Marks]
(c) Given that: $Q_1 = -3P^2 + 16$

  $Q_2 = P^2 + 2P + 5$ where P is price and Q is quantity

Required
(i) With reasons identify the demand and supply function.   [3 Marks]
(ii) At what values of price and quantity is the market in equilibrium   [5 Marks]
(iii) Illustrate the determinants of equilibrium market price.   [4 Marks]

(d) Distinguish between price floors and price ceilings.   [4 Marks]

QUESTION TWO
(a) Define monopoly and outline sources of monopoly power   [8 Marks]
(b) With diagrams explain the following types of inflation;   [6 Marks]
   (i) Demand Pull
   (ii) Cost Push

(c) Explain the causes of unemployment in Kenya.   [6 Marks]

QUESTION THREE
(a) State the law of variable proportions and discuss the three stages associated with it.

[10 Marks]

(b) Discuss the free market economy. [10 Marks**]**

QUESTION FOUR
(a) Discuss the factors that cause a shift in the supply of commodities. [10 Marks]
(b) Explain the tools of monetary policy. [10 Marks]

QUESTION FIVE
(a) Explain the functions of money. [8 Marks]

(b) The table below is a demand and supply schedule for carrots in a certain market.

Price per ton Kshs. '000'	Quantity demanded per month '000' tons	Quantity supplied per month '000' tons
2	110	5
4	90	46
8	67.5	100
10	62.5	115
12	60	122.5

Determine the equilibrium price and quantity. [8 Marks]

(c) Distinguish between; [4 Marks]
      (i) Complementary and substitute goods
      (ii) Normal and inferior goods
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