

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
CHUKA/EMBU/IGEMBE/THARAKA**

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

DPLM 0141: INTRODUCTION TO ECONOMICS

STREAMS: Y1S1

TIME: 2 HOURS

DAY/DATE: TUESDAY 10/04/2018

11.30 A.M - 1.30 P.M

INSTRUCTION:

- **Answer question one and any other two questions**

1. (a) Distinguish between the following concepts as used in economics;
 - (i) Scarcity and opportunities cost. [2marks]
 - (ii) Positive economics and normative economics. [2marks]
 - (iii) Perfect competition and monopoly. [2marks]
 - (iv) Marginal rate of substitution and marginal rate of technical substitution. [2marks]
 - (v) Gross domestic product (GDP) and gross national product (GNP) [2marks]
- (b) (i) Highlight the exception to the law of demand. [3marks]
- (ii) Given the following functions:

$$Q_a = 3p^2 - 4p$$

$$Q_b = 24 - p^2$$

Identify the demand and supply functions and determine the equilibrium price and quantity. [5marks]

- (c) Describe the circular flow of income of a two sector economy, using an appropriate diagram. [7marks]
- (d) Explain five properties of isoquants. [5marks]
2. (a) Explain the concept of production possibility frontier (PPF) using a suitable diagram. [7marks]
- (b) Per capita income is not a good measure of national well-being of people in an economy. Discuss. [6marks]
- (c) Discuss the main causes of unemployment in any developing country. [7marks]
3. (a) Explain the functions of money . [4marks]
- (b) With the aid of a well labeled diagram, explain the stages of production. [8marks]
- (c) Explain the determinants of investment in Kenya. [8marks]
4. (a) Discuss the types of elasticity of demand. [6marks]
- (b) Identify the motives of holding money according to Keynesian. [6marks]
- (c) Discuss the effects of inflation to an economy. [4marks]
- (d) Distinguish between movement along a demand curve and shift of the demand curve. [4marks]
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