CHUKA   **UNIVERSITY**

RESIT/ SPECIAL EXAMINATIONS

EXAMINATION FOR THE AWARD OF
DIPLOMA IN PROCUREMENT AND LOGISTICS MANAGEMENT

DPLM 0141: INTRODUCTION TO ECONOMICS

STREAMS: DPLM   **TIME: 2 HOURS**

DAY/DATE: THURSDAY 26/07/2018   **2.30 PM – 4.30 PM**

INSTRUCTIONS:

QUESTION ONE

(a)   With aid of a diagram, explain the circular flow of income in a closed economy.

[8 marks]

(b)   Explain three approaches to measurement of National Income and discuss problems encountered in measuring national income.   [8 marks]

(c)   Per Capita income is not a good measure of national well-being of people in an economy. Discuss.   [4 marks]

(d)   Explain 5 factors that determine elasticity of demand.   [10 marks]

QUESTION TWO

(a)   Discuss major causes of unemployment in an economy.   [10 marks]

(b)   Discuss 5 types of unemployment in an economy.   [5 marks]

(c)   Explain the monetary policies used by government to curb problem of inflation.

[5 marks]

Question Three

(a)   Discuss three motives for holding money according to Keynes.   [6 marks]

(b)   Distinguish between induced and autonomous investments.   [4 marks]

(c)   Given the following equation $y = 5000 - 0.5\,Py - 2.3\,Pw + 0.2\,PX + 0.037\,I$ Suppose further that you have been given that $Q_y = 15000$, $P_y = 30{,}000$, $I = 60{,}000$

Compute:

(i)   Own price elasticity   [2 marks]

(ii)   Gross price elasticity   [6 marks]

(iii)   Income elasticity of demand   [2 marks]