

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

RESIT/SPECIAL EXAMINATION

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

DPLM 0141: INTRODUCTION TO ECONOMICS

STREAMS:

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 12/09/2018

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

QUESTION ONE (30 MARKS)

a Given the total cost function below:

$$TC = 2560 + 200Q - 20Q^2 + Q^3$$

- i Determine average fixed cost when the output(Q) is 10 units (2 marks)
- ii Compute the total and average costs at the level of (10 units) (4 marks)
- iii What is the level of marginal cost at the level of 12 units of production (4 marks)

b). Explain the conceptual difference between cardinal and ordinal utility, hence explain the assumptions made under each approach (10 marks)

c) Explain your understanding of the following terms as used in economics

- i. Induced and autonomous investment (2 marks)
- ii. Average propensity to consume and marginal propensity to consume (2 marks)
- iii. Per capita income and personal income (2 marks)
- iv. Gross domestic product and gross national product (2 marks)
- v. Disguised unemployment and underemployment (2 marks)

Question Two

1. Using an illustration, explain the simple circular flow of income in a 3 sector economy
(6 marks)
2. Distinguish between leakages and injections in a circular flow of income model and give examples
(6 marks)
3. Discuss the various types of unemployment and suggest possible remedies for each.
(8 marks)

Question Three

1. Given the following information about a certain economy

$$C=50+0.75Y^d$$

$$T=20$$

$$I=300$$

$$G=500$$

Calculate the following;

- i. investment multiplier (2 marks)
 - ii. government multiplier (2 marks)
 - iii. Derive the savings function. (2 marks)
2. Explain the major goals of macroeconomics policy (8 marks)
 3. Discuss the drawbacks associated with per capita income as a measure of social welfare of people. (6 marks)

Question Four

- I. Explain the effects of a fall in supply on the price and output of a commodity using an illustration. (10 marks)
 - II. Discuss the sources of monopoly power. (10 marks)
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