

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FIRST YEAR EXAMINATION FOR THE AWARD OF DIPLOMA IN PROCUREMENT AND LOGISTICS MANAGEMENT

DPLM 0141: INTRODUCTION TO ECONOMICS

STREAMS: DPLM

TIME: 2 HOURS

DAY/DATE: MONDAY 21/12/2020

11.30 A.M. – 1.30 P.M.

INSTRUCTIONS:

QUESTION ONE

- (a) Differentiate between positive analysis and normative analysis [6 marks]
- (b) With an aid of a diagram, differentiate between movement along demand curve and shift of demand curve [4 marks]
- (c) Give the following function
 $Q_1 = A - bP$
 $Q_2 = c + dP$
- (i) Identify the demand and supply functions citing the reasons [3 marks]
- (ii) Determine the equilibrium price and quantity [5 marks]
- (iii) Represent the above solutions in a diagram [2 marks]
- (d) Discuss five types of unemployment in Kenya [10 marks]

QUESTION TWO

- (a) Explain the difference between cardinal utility and ordinal utility [10 marks]
- (b) Discuss the circular flow of a closed economy [10 marks]

QUESTION THREE

- (i) With an aid of a diagram explain the three stages of production [8 marks]
- (ii) Explain motives of holding money according to Keynes [6 marks]
- (iii) Discuss the approaches used to find the national income [6 marks]

QUESTION FOUR

(a) Given the following total cost function $25Q - 8Q^2 + Q^3 + 200$,

Find

- (i) Total fixed cost [1 mark]
- (ii) Total variable cost [1 mark]
- (iii) Average total cost [1 mark]
- (iv) Average variable cost [mark]
- (v) Average variable cost when $Q = 4$ units [3 marks]
- (vi) Marginal cost when $Q = 3$ units [3 marks]

(b) Explain the factors that shift demand curve to the left [10 marks]
