

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DIPLOMA IN PROCUREMENT
AND LOGISTICS MANAGEMENT

DPLM 0141: INTRODUCTION TO ECONOMICS

STREAMS: DPLM

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 15/04/2020

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

- Answer question ONE and any other TWO questions
- Do not write anything on the question paper

QUESTION ONE

1. (a) Distinguish between the following terms as used in economics [8 marks]
- (i) Positive economics and normative economics
 - (ii) Veblen goods and Giffen goods
 - (iii) Perfect competition and monopoly
 - (iv) Demand pull inflation and cost push inflation
- (b) Given the following functions
- $$Q_1 = 40 - 10P$$
- $$Q_2 = -20 + 10P$$
- (i) State the demand and supply functions [2 marks]
 - (ii) Compute the equilibrium quantity and market price [4 marks]
- (c) With the aid of a well labeled diagram, discuss the stages of production [8 marks]
- (d) Explain the causes and remedies of unemployment in Kenya [8 marks]

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2. (a) Using a well labeled diagram, discuss the concept of scarcity and opportunity cost [8 marks]
- (b) Discuss the major goals of macroeconomic policy [8 marks]
- (c) Explain the causes of cost push inflation in an economy [4 marks]
3. (a) Explain the conceptual difference between cardinal and ordinal utility, hence explain the assumptions made under each approach [10 marks]
- (b) Discuss four properties of an indifference curve [4 marks]
- (c) Clearly discuss the factors that determine demand and supply [6 marks]
4. (a) Given the following total cost function
 $TC = 100 - 2Q + 4Q^2 + 7Q^3$
- (i) Determine the average fixed cost when $Q = 5$ units [2 marks]
- (ii) Compute the total and average cost when $Q = 15$ units [4 marks]
- (iii) What is the level of marginal cost of the level of 27 units of production [4 marks]
- (b) According to Keynesian theory, people hold money because of three motives discuss [6 marks]
- (c) Discuss four sources of monopoly power in the market place [4 marks]
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