

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DIPLOMA TO ECONOMICS

DPLM 0141: INTRODUCTION TO ECONOMICS

STREAMS: BSC HORT

TIME: 2 HOURS

DAY/DATE: MONDAY 16/12/2024

8.30 A.M – 10.30 A.M

INSTRUCTIONS:

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

QUESTION ONE

(a) Briefly, explain the following terms as used in economics.

- | | |
|------------------------------------|-----------|
| i. Demand curve and Engels curve | [2 marks] |
| ii. Leakages and injections | [2 marks] |
| iii. Veblen goods and Giffen goods | [2 marks] |
| iv. Inflation and Deflation | [2 marks] |
| v. Scarcity and Opportunity cost | [2 marks] |

(b) Discuss the assumptions made under cardinal utility approach. [8 marks]

(c) Discuss the major goals of macroeconomics. [6 marks]

(d) Given the following equations,

$$Q_d = 3P^2 - 4p$$

$$Q_d = 24 - p^2$$

Determine:

- | | |
|------------------------------------------------------|-----------|
| i. The equilibrium price and equilibrium quantity. | [4 marks] |
| ii. Discuss the factors affecting quantity supplied. | [4 marks] |

QUESTION TWO

a) Given the total cost function below;

$$TC = 1500 + 150Q - 15Q^2 + Q^3$$

- (i) Determine average fixed cost when the output (Q) is 20 units. [2 marks]
- (ii) Compute the total and average costs at the output level of 20 units. [4 marks]
- (iii) Compute marginal cost at the level of 12 units of production [4 marks]

b) Discuss the causes and remedies of unemployment in Kenya. [10 marks]

QUESTION THREE

(a) With the aid of a well labeled diagram, explain the stages of production. [10 marks]

(b) Discuss the drawbacks associated with per capita income as a measure of social welfare of people. [10 marks]

QUESTION FOUR

(a) Distinguish between movement along a demand curve and shift of the demand curve. [8 marks]

(b) Demand curve for an oligopolistic firm is kinked, using a well labelled diagram discuss. [8 marks]

(c) Discuss the major functions of money. [4 marks]
