

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS**

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

**DPLM 0141: INTRODUCTION TO ECONOMICS**

**STREAMS: ODEL**

**TIME: 2 HOURS**

**DAY/DATE: FRIDAY 13/12/2024**

**2.30 P.M – 4.30 P.M**

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**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.

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|------------------------------------|-----------|
| 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:

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|--|-----------|
| 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]
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