**CHUKA UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**MAIN/CHOGORIA**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF ARTS**

**ECON 100: INTRODUCTION TO ECONOMICS**

**STREAMS:** **TIME:2 HOURS**

**DAY/DATE: FRIDAY 21/04/2023** **8.30 A.M. –10.30 A.M.**

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**INSTRUCTIONS**

- **Answer question One and any other Two questions**
- **Do not write anything on the question paper**
- **Show your workings clearly**

**Question One (Compulsory)**

a) Explain the meaning of the following terms

i. Economics (2 marks)

ii. Marginal Propensity to Consume (2 marks)

iii. Change in demand (2 marks)

iv. Engel's curve (2 marks)

b) The per capita of country A is 3 times bigger than the per capita of country B. Do you agree that the living standards of residents of country A is better than for residents of country B? Explain (10 marks)

c) Given the following equations $Q_1 = 4 - P^2$, $Q_2 = 4P - 1$, Find the equilibrium price and quantity (5 marks)

d) Given that the average cost of a given firm is $AV = 100 - 5Q^2 + Q^3$, find

i. Average fixed cost when Q=10 units (3 marks)

ii. Marginal cost when Q= 2 units (2 marks)

iii. Total variable cost when Q=5 units (2 units)

**Question Two**

a) With a help of diagram, discuss the stages of production and hence comment on appropriate stage that production should take place (10 marks)

b) Why is it important to measure national income? What difficulties do economists encounter while carrying out such a task particularly in developing countries

(10 marks)

**Questions Three**

a) Discuss the sources of monopoly power in the market (4 marks)

b) There exist cases where demand slope upward instead of downward from left to right. With example explain any three such possible cases (6 marks)

c) Explain the main causes of demand- pull inflation (10 marks)

**Question Four**

a) Explain the main types of unemployment that are common in Kenya (10 marks)

b) In a certain firm $P = 200 - Q$ and $C = 30Q + 3Q^2$, calculate the price, quantity and profit and profit of the firm (10 marks)

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