

CHUKA

UNIVERSITY



UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
ECONOMICS, BACHELOR OF PROCUREMENT AND LOGISTICS
MANAGEMENT**

ECON 100/BPLM 101: INTRODUCTION TO ECONOMICS

STREAMS:

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 20/12/2023

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 (compulsory)

- a) Explain the meaning of term economics (1 marks)
- b) In the year 2022, the price of maize flour in Kenya was controlled, set at a predetermined price below the market price.
- i) Draw a diagram showing the effect of this policy. Did the policy act as a price ceiling or price floor? (5 marks)
- ii) Explain the effect of this policy (5 marks)
- c) What is investment? Discuss five of its major determinants. (10 marks)
- d) Given the following average cost equation
- $$ATC = 30Q + 6Q^2$$
- i) Calculate the Total Fixed Cost (TFC) at output level 10 (3 marks)
- ii) Calculate the total Variable Cost (TVC) at output level 10 (3 marks)
- iii) Calculate the Marginal Cost (MC) at output level 10 (3 marks)

Question two

- a) Outline the characteristics of oligopolistic market. (10 marks)
- b) Recently, the price of crude oil has increased rapidly, pushing inflation rate in Kenya to 6.7 percent. Explain the main measures the government of Kenya can adopt to curb the inflation. (10 marks)

Question three

- a) Explain why national income is not an appropriate measure of the welfare of the people. (10 marks)
- b) Production will only take place at the range over which marginal product of factors is diminishing but positive'. Prove this statement with the help of a diagram showing clearly all the stages of production. (10 marks)

Question four

- a) Explain the deductive method of analyzing economics. (5 marks)
 - b) Using a well labelled diagram, explain the stable equilibrium of the firm. (5 marks)
 - c) Developing countries have experiences persistent and rising unemployment problems. Explain economic policies that may be used to reduce the magnitude of this problem in Kenya. (10 marks)
-