



KIBABII UNIVERSITY COLLEGE

(A Constituent College of Masinde Muliro University of Science Technology)

P.O. Box 1699-50200 Bungoma, Kenya

Tel. 020-2028660/0708-085934/0734-831729

E-mail: enquiries@kibabiiuniversity.ac.ke

UNIVERSITY EXAMINATION

2013/2014 ACDEMIC YEAR

1ST YEAR 1ST SEMESTER EXAMINATION

COURSE CODE: DIB 103

COURSE TITLE: ELEMENTS OF ECONOMICS

DATE: 21ST AUGUST, 2014

TIME: 9:00A.M.-11:00A.M.

INSTRUCTIONS

Answer question **ONE** and any other **THREE** questions

Question one

- a) State the central problems of an economy (4 marks)
- b) Briefly explain the determinants of demand (5 marks)
- c) Describe three types of inflation (6 marks)
- d) Distinguish between the following paired concepts
 - i) Economies and diseconomies of scale (2 marks)
 - ii) Free market system and planned economy (2 marks)
 - iii) Structural and functional unemployment (2 marks)
 - iv) Macroeconomics and microeconomics (2 marks)

(Total 25 Marks)

Question two

- a) State four assumptions of the law of variable proportion (4 marks)
- b) Using a well labeled diagram, explain the three stages of production under the short-run period. (11 marks)

Question three

- a) The following functions represent the market supply and market demand for commodity X
 - $Q_d = 100 - 3p$
 - $Q_s = 80 + 2p$Where Q_d = Quantity demanded for good X
 Q_s = Quantity supplied for good X

Required:-

- i) Calculate the equilibrium price and quantity of good X (8 marks)
- ii) If the price of the commodity X is decreased by 25 %, explain whether this will lead to excess demand or supply. (7 marks)

Question four

- a) In the context of the Kenyan economy, suggest policy measures that can be adopted to combat unemployment. (8 marks)
- b) Discuss the factors that limit the effective use of monetary policy in developing countries like Kenya. (7 marks)

Question five

- a) Briefly explain the main characteristic of monopoly (5 marks)
- b) Explain the short-run and long-run equilibrium under perfect competition. (10 marks)