



MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2011/2012

FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR THE DIPLOMA IN BUSINESS ADMINISTRATION (CITY CAMPUS -DAY)

ADE 0100: ECONOMICS

Date: 19th April, 2012

Time: 9.00 – 11.00 a.m.

INSTRUCTIONS:

- ◆ Answer ANY THREE questions.

QUESTION ONE

(a) Distinguish between the movement along the supply curve and the shift of the supply curve.(use an illustration) (6 marks)

(b) State the effect of the following factors on demand of a commodity and illustrate the direction of the shift

(I) Increase in the level of advertisement of the commodity

(II) Increase in the income of the consumer.

Fall in price of a substitute. (9 marks)

(C) Distinguish between an indifference curve and production possibility frontier. (5 marks)

QUESTION TWO

(a) Economics is concerned with the allocation of resources; by answering the three fundamental economic problems discuss these three economic questions in an economy. (6marks)

(b) Highlight 6 features of a free market economy. (6 marks)

(c) Give 6 advantages of command economy (6 marks)

(d) Highlight any two characteristics of economic resources. (2 marks)



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FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR THE DIPLOMA IN BUSINESS ADMINISTRATION (CITY CAMPUS - WEEKEND)

ADE 0100: ECONOMICS

Date: 27th April, 2012

Time: 2.00 – 4.00 p.m.

INSTRUCTIONS:

- ◆ Answer QUESTION ONE and any other THREE questions.

**ANSWER QUESTION ONE (1) AND ANY OTHER THREE (3) QUESTIONS.
ALL QUESTIONS CARRY EQUAL MARKS**

QUESTION ONE

Write short notice on the following”

- a) Consumer sovereignty
- b) Scarcity and choice
- c) Opportunity cost
- d) The production possibility frontier
- e) “Transfer earnings” and “Economic rent”

QUESTION TWO

- a) Define the law of demand and state the exceptions to this law
- b) Discuss some of the factors that may cause a shift in the supply curve.

QUESTION THREE

- a) State and explain factors that determine the price elasticity of supply
- b) Explain why the prices of agricultural products fluctuate more than those of manufacturing goods.

QUESTION FOUR

- a) Discuss the meaning of factors of production.
- b) To what extent are those factors mobile and what the significance of mobility of factors of production is.

QUESTION FIVE

- a) Distinguish between fixed and variable costs.
- b) The data below sows a tabulation on the production of a hypothetical product

Output (Q) Units	0	1	2	3	4	5	6	7	8
Total Costs (TC) Kshs	25	32	38	42	48	58	67	78	98

Using the above data, determine:

- i) Total fixed cost
- ii) Average variable cost when output equals 6 units
- iii) Marginal cost of the 4th unit of output.

QUESTION SIX

- a) State the main sources of monopoly powers.
- b) In what ways does a perfect market differ from a monopoly, oligopoly and monopolistic competition?

QUESTION SEVEN

- a) Discuss the different approaches used in the measurement of national income of a country.
- b) What are the main problems associated with national income accounting in developing countries.

QUESTION EIGHT

- a) Distinguish between the terms "Credit creation and "Credit multiplier".
- b) Outline four limitations of the process of credit creation.

QUESTION NINE

Developing countries have experienced persistent and rising inflation and unemployment problems.

- a) Define each of the problems and explain their major causes.
- b) Suggest economic policies that may be used to reduce the magnitude of these problems.

QUESTION THREE

(a) Highlight the obstacles that Kenya may be facing such that development by 2030 may not be possible and suggest possible solutions to deal with these obstacles. (10 marks)

(b) Agriculture as a major sector in our economy has been experiencing low prices for its products and income from it has been low, give the reasons why this has been happening and suggest possible ways that could be implemented in this sector to assure farmers income from agriculture. (10 marks)

QUESTION FOUR

(a) Highlight five effects of price controls in an economy. (5 marks)

(b) Highlight five effects of inflation in an economy (5 marks)

(c) Suggest possible ways of solving inflation in an economy. (10 marks)

QUESTION FIVE

(a) Give five features of perfect competition market. (5 marks)

(b) Highlight five sources of a monopoly (5 marks)

(c) Highlight the advantages of international trade to an economy.
(5 marks)

(d) Developing countries face unfavourable balance of payment highlight causes of this. (5 marks)

