



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2013/2014**

**FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR THE  
DIPLOMA IN BUSINESS ADMINISTRATION  
(HOMA BAY CAMPUS)**

**ADE 0100: ECONOMICS**

Date: 5<sup>th</sup> April, 2014

Time: 8.00 - 10.00 a.m.

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**INSTRUCTIONS:**

- Answer Question ONE (COMPULSORY) and any other TWO questions.
- Neat clear presentation of your work offers an added advantage.



### QUESTION ONE

- a) Define the term Economics and discuss briefly the branches of Economics (7mks)
- b) Distinguish between supply and Demand (4mks)
- c) Outline four types of unemployment and explain how each arises (8mks)
- d) Present the circular flow of National income in simple economy and the assumptions (7mks)
- e) Distinguish between the cardinal and ordinal approaches to utility measurement (4mks)

### QUESTION TWO

- a) Explain any five assumptions of perfect Competition (10mks)
- b) Discuss the different approaches used in the measurement of national income (10mks)

### QUESTION THREE

- a) What do you understand by the term Market equilibrium? (3mks)
- b) The Market Demand schedule and supply schedule of Commodity Y is give below.

Price Y (Ksh)	Quantity demanded of Y	Quantity Supplied of Y
5	300	60
10	200	100
15	150	150
20	100	200
25	80	300

Draw a graph representing equilibrium condition, excess demand and excess supply (7mks)

- c) Explain the factors that may determine an individual's demand for a commodity (10mks)

**QUESTION FOUR**

- a) In terms of labour and Land, what does the law of Diminishing Returns state? (4mks)  
b) Fill in the table below by finding by the average productivity (AP) and Marginal Productivity (MP) of labour

Land	Labour	Total Product	Average Productivity (AP)	Marginal Productivity (MP)
1	0	0		
1	1	2		
1	2	5		
1	3	9		
1	4	12		
1	5	14		
1	6	15		
1	7	15		
1	8	14		
1	9	12		

- c) Plot the total Product, Average Product and Marginal Product curves (6mks)

**QUESTION FIVE**

- a) Explain the concepts of Scarcity, Choice and Opportunity Cost as used in Economics (8mks)  
b) Present the relationship between Variable Cost(VC),Fixed Cost(FC), Total Cost(TC), Average Cost(AC) and Marginal Cost(MC) curves in the Short-run production analysis (12mks)