MERU UNIVERSITY COLLEGE
OF SCIENCE & TECHNOLOGY

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University Examinations 2010/2011

FIRST YEAR, FIRST SEMESTER EXAMINATIONS FOR DIPLOMA IN AGRICULTURAL
EDUCATION AND EXTENSION/DIPLOMA IN AGRICULTURE/CERTIFICATE IN AGRICULTURE

BUS 0160: INTRODUCTION TO ECONOMICS

DATE: APRIL 2011   **TIME: 1½ HOURS**

INSTRUCTIONS: *Answer Question **one** which is Compulsory and any other **two** questions*

QUESTION ONE – (30 MARKS)

(a) Explain the relationship between scarcity, choice and opportunity cost.

(6 Marks)

(b) Explain the following: (4 Marks)
   (i)   Cross elasticity of demand
   (ii)   Income elasticity of demand

(c) Differentiate between the following terms as used in development economics.

(6 Marks)

   (i)   Gross Domestic Product versus National Product.
   (ii)   Gross National Product versus Net National Product.
   (iii) Personal Income versus Disposable Personal income.

(d) Explain the types of economic systems.   (9 Marks)

(e) The schedule below shows the effect of changing the price of commodity X_1 to the
   quantity demanded of commodity X_2.

Price of $X_1(PX_1)$	100	150
Quantity demanded of $X_2(QX_2)$		

   (i)   Calculate the elasticity between the two products.   (3 Marks)
   (ii)   State the relationship between the two products.   (2 Marks)

QUESTION TWO – (15 MARKS)

Using relevant graphical illustrations explain the following:

(a) Total costs (TC)   (3 Marks)
(b) Variable costs (VC)   (3 Marks)
(c) Fixed costs (FC)   (3 Marks)
(d) Marginal costs (MC)   (3 Marks)
(e) Average costs (AC)   (3 Marks)

QUESTION THREE – (15 MARKS)

State and explain the importance of national income statistics.   (15 Marks)

QUESTION FOUR – (15 MARKS)

(a) State and explain the methods used in calculating national income.   (7 Marks)
(b) Explain the role of commercial banks to the business community.   (8 Marks)

QUESTION FIVE – (15 MARKS)

Complete the following table to illustrate the cost-output relationships.   (15 Marks)

Quantity (Q)	Total Fixed Cost (FC)	Total Variable Costs(VC)	Average Cost (AV)	Marginal Cost (MC)
0	140			
10		70		
20		110		
30		180		
40		280		