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**University Examinations 2014/2015**

FIRST YEAR, FIRST SEMESTER EXAMINATION FOR DEGREE OF BACHELORS OF SCIENCE IN FOOD SCIENCE AND NUTRITION, FOOD SCIENCE AND TECHNOLOGY, FOOD SCIENCE AND MANAGEMENT, HUMAN NUTRITION AND DIETETICS

AND

SECOND YEAR, FIRST SEMESTER EXAMINATION FOR DEGREE OF BACHELOR OF SCIENCE IN MATHEMATICS AND COMPUTER SCIENCE

**ECON 2101: INTRODUCTION TO ECONOMICS**

**DATE: DECEMBER 2014 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE**

1. In the light of present adoption of economic liberalism in many developing countries, what are the possible shortcomings of relying in the market competition from the standpoint of:
2. Rational allocation of resources for economic development (5 marks)
3. Price stability (3 marks)
4. Suppose in a two community market model the supply and demand function are given as:

Qs1=-3+4p1

Qs2=-18+4p2

Qd1=4-p1+$\frac{1}{2}$p2

Qd2=10-p1-p2

**Required:**

Calculate the equilibrium value of prices and quantities (8 marks)

1. Distinguish between:
2. Isocost lines and isoquant lines (2 marks)
3. The law of variable proportions and the law of return to scale (2 marks)
4. Positive economics and normative economics (2 marks)
5. The overall objective of macroeconomic policy is to raise the average standard of living in a given country. Explain two ways in which such an objective may be achieved

(4 marks)

1. Explain four roles of the central bank of your country (4 marks)

**QUESTION TWO**

1. Explain four types of economic costs incurred by a firm in its production activities (8 marks)
2. Discuss six possible benefits likely to accrue to a country as a result of participating in international trade (12 marks)

**QUESTION THREE**

1. Using graphs explain the effect of the following on market equilibrium pineapples:
2. A fall in price of pineapples ( 2marks)
3. A health campaign that claims that pineapples make you fat and ugly

(2 marks)

1. A rise in the wages of pineapples farms employees (2 marks)
2. A rise in the price of substitutes of pineapples (2 marks)
3. A fall in incomes of consumers (2 marks)
4. With the aid of a diagram, explain the concept of firm’s least cost combination

(10 marks)

**QUESTION FOUR**

1. Discuss the significance of mobility of factors of production in an economy

(5 marks)

1. “Perfect competition is an ideal market, yet it does not exist.” Discuss (10 marks)
2. Using graphs, show how a monopolist maximizes profits (5 marks)

**QUESTION FIVE**

1. Explain five limitations of using national income statistics to compare standards of living in different countries (10 marks)
2. Explain 5 instruments of monetary policy which may be applied by any central bank to influence its economy (10 marks)