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**University Examinations 2016/2017**

FIRST YEAR, FIRST SEMESTER EXAMINATION FOR CERTIFICATE IN BUSINESS ADMINISTRATION

**BEC 1101: INTRODUCTION TO ECONOMICS**

**DATE: DECEMBER, 2016 TIME: 1½ HOURS**



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

**QUESTION ONE (30 MARKS)**

1. Briefly explain the following terms as used in economics. (10 Marks)
2. Demand and supply
3. Macroeconomics and Microeconomics
4. Disposable income and Per capital income
5. Scarcity and Opportunity cost
6. GNP and GDP
7. Given the following functions;

1. Determine which is the Demand function and supply function. (2 Marks)
2. Calculate the equilibrium price and quantity and represent the solution in a diagram. (6 Marks)
3. Distinguish between withdrawals and Injections in a circular flow of income

(2 Marks)

1. (i) Define price elasticity of demand. (2 Marks)

(ii) Briefly explain two determinants of price elasticity of demand. (4 Marks)

(iii) Discuss the problems encountered while accounting for national income (4 Marks)

**QUESTION TWO (20 MARKS)**

1. With the help of a well labeled diagram explain the circular flow of income in a closed economy. (10 Marks)
2. Explain three methods of national income accounting. (6 Marks)
3. Per capita income is not a good measure of material well being of people in an economy. Discuss. (4 Marks)

**QUESTION THREE (20 MARKS)**

1. Define price elasticity of supply for a normal good. (2 Marks)
2. The price of a good changes from Kshs. 20 Kshs.30. As a result the quantity demanded changes from 100 to 40 units. Calculate the price elasticity of demand and comment on the nature of elasticity. (8 Marks)
3. Discuss five major determinants of supply of a commodity. (10 Marks)

**QUESTION FOUR (20 MARKS)**

1. Discuss major causes of unemployment in an economy. (10 Marks)
2. Explain policies employed for curing unemployment. (5 Marks)
3. State and explain five types of unemployment in an economy. (5 Marks)

**QUESTION FIVE (20 MARKS)**

1. Differentiate between inflation and Deflation. (4 Marks)
2. Explain the monetary policies used by government to curb problem of inflation(10 Marks)
3. Explain the following terms as used in production. (6 Marks)
4. Fixed cost
5. Marginal cost
6. Variable cost