



# MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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## University Examinations 2012/2013

FIRST YEAR, FIRST SEMESTER, EXAMINATION FOR CERTIFICATE/DIPLOMA IN  
AGRICULTURE

### BUS 0160: INTRODUCTORY ECONOMICS

DATE: DECEMBER 2012

TIME: 1 ½ HOURS

INSTRUCTIONS: Answer question *ONE* and any other *TWO* questions

#### QUESTION ONE – 30 MARKS

- (a) Define the following terms as used in Economics. (5Marks)
- (i) Economics
  - (ii) Scarcity
  - (iii) Choice
  - (iv) Utility
  - (v) Opportunity cost
- (b) State the Law of Demand and give five factors that influence demand of a commodity. (6Marks)
- (c) Explain two exceptions of the Law of Demand. (4Marks)
- (d) Describe five difficulties in determining national income. (5Marks)
- (e) Assume that the price of coffee is Sh. 10.00 per unit and demand for tea at its own price is 10 units. Suppose that price of coffee rises from Sh. 10 to Sh. 12 per unit and as a result of this, the demand for tea increases from 10 to 15 units. What would be the cross elasticity? (5Marks)
- (f) Explain five factors that influence elasticity of supply. (5Marks)

#### QUESTION TWO – 15 MARKS

- (a) With relevant illustrations, distinguish between extension and contraction of supply and rise and fall in supply. (10Marks)
- (b) Give five stages of economic growth as outlined by early economist, Rostow. (5Marks)

**QUESTION THREE – 15 MARKS**

- (a) Explain with details the factors affecting demand elasticity. (10Marks)
- (b) Describe five roles of Agriculture in Kenyan Economy. (5Marks)

**QUESTION FOUR – 15 MARKS**

- (a) Define economic system and outline various types of economic systems noting the distinctive features of each. (10Marks)
- (b) Give five economies of scale. (5Marks)

**QUESTION FIVE – 15 MARKS**

- (a) Explain six concepts of National Income. (12Marks)
- (b) Describe three arguments against equitable distribution of wealth. (3Marks)