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**University Examinations 2014/2015**

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF TECHNOLOGY CIVIL ENGINEERING

**BEC 3152: ELEMENTS OF ECONOMICS**

**DATE: APRIL 2015 TIME:** $2 $**HOURS**

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

**QUESTION ONE (30 MARKS)**

1. Distinguish between the following paired concepts as used in economics;
2. Scarcity and choice (2 Marks)
3. Movement along a demand curve and a shift in the demand curve. (4 Marks)
4. Fiscal policy and monetary policy. (2 Marks)
5. Macro economics and micro economics
6. Differentiated oligopoly and homogeneous oligopoly (2 Marks)
7. Assume the following information represents the national income model of an ‘utoplan’ economy.

Y = C + I + G

C = a + b (y – T)

T = d+ ty

I = $I\_{0}$

G = G0

1. Explain the economic interpretation of the parameters a,b,d and t. (4 Marks)
2. Define the law of supply and explain any five factors that influence the supply of a good.

(6 Marks)

1. Given the following equations;

 $36-Q= ½P$

½P – Q = 20

1. Identify with reasons which of the above equations represents demand and supply functions respectively. (4 Marks)
2. Calculate the equilibrium value of price and quantity. (3 Marks)
3. Highlight the main reasons for holding money according to the Keynesian theory of money.

(3 Marks)

**QUESTION TWO (20 MARKS)**

1. Define the term inflation and discuss the causes of cost push inflation. (10 Marks)
2. Explain the term consumer sovereignity identifying the limitations to attaining it.

(10 Marks)

**QUESTION THREE (20 MARKS)**

1. Discuss the advantages of a centrally planned economic system to a country. (6 Marks)
2. Briefly explain the central economic problem. (4 Marks)
3. Define the term inflation and describe the main causes of unemployment in developing countries. (10 Marks)

**QUESTION FOUR (20 MARKS)**

1. Explain the role played by the central bank of Kenya in the economy of Kenya .(10 Marks)
2. Describe the stages of production. In a firm what is the optimal stage for a producer to operate in and why? Illustrate your answer. (10 Marks)

**QUESTION FIVE (20 MARKS)**

1. Using appropriate diagrams illustrate a perfect competitive market exhibiting the following scenarios.
2. Abnormal profits (3 Marks)
3. Normal profits (3 Marks)
4. Explain the determinants of money supply in an economy. (8 Marks)
5. Highlight the characteristics of a monopoly market structure. (6Marks)