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CHUKA & EMBU

EXAMINATION FOR THE AWARD OF DIPLOMA IN PROCUREMENT AND LOGISTICS MANAGEMENT

DPLM 0141: INTRODUCTION TO ECONOMICS

STREAM: DPLM

TIME: 2 HOURS

DAY/DATE: TUESDAY 11/04/2023

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS: Answer question ONE and any other TWO questions

QUESTION ONE

- (a) Various economists have tried to define economic differently. Discuss economics according to;
- (i) Wealth definition
 - (ii) Welfare definition
 - (iii) Scarcity definition [6 marks]
- (b) Explain the difference between demand pull and cost pull inflation. [4 marks]
- (c) Given the following functions:
- $$Q_1 = 3550 + 266P$$
- $$Q_2 = 1526 + 240P$$
- (i) Identify the equilibrium market price and quantity [4 marks]
 - (ii) Sketch the results [2 marks]
- (d) Explain three approaches used to measure national income in Kenya. [6 marks]
- (e) With the aid of diagrams distinguish between movement along the supply curve and a shift other supply curve. [4 marks]
- (f) Explain the basic functions of money. [4 marks]

QUESTION TWO

- (a) Per Capital income is not a good measure of national well-being of people in an economy. Discuss [6 marks]
- (b) There exist cases where demand may slope upwards instead of downwards from left to right. Explain three scenarios /exceptions to the law of demand. [6 marks]
- (c) In Kenya the unemployment rate has been increasing with time. Explain the causes and remedies of unemployment in Kenya. [8 marks]

QUESTION THREE

- (a) Explain the causes of demand pull and cost pull inflation in Kenya. [10 marks]
Given the total cost function below:
 $TC = 3453 + 123Q - 5Q^2 + Q^3$
- (i) Determine average fixed cost when the output (Q) is 3 units. [3 marks]
- (ii) Compute the total and average costs at the level of (11 units) [4 marks]
- (iii) What is the level of marginal cost at the level of 6 units of production. [4 marks]

QUESTION FOUR

- (a) Differentiate between a monopolistic competition and a perfect competitive market. [5 marks]
 - (b) Differentiate between cardinal and ordinal utility, hence explain the assumptions made under each approach. [10 marks]
 - (c) Using the Philips curve, explain the relationship between inflation and unemployment rate. [5 marks]
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