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EMBU UNIVERSITY COLLEGE
(A CONSTITUENT COLLEGE OF THE UNIVERSITY OF NAIROBI)

FIRST SEMESTER EXAMINATIONS 2013/2014

FIRST YEAR EXAMINATION

CCS009: ELEMENTS OF ECONOMICS

DATE: NOVEMBER 29, 2013

TIME: 11.00 – 1.00PM

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE (30 Marks)

- a) Distinguish between the following terms
- i) Microeconomics and macroeconomics (2marks)
 - ii) Public goods and private goods (2marks)
 - iii) Indifference curve and isoquant (2marks)
 - iv) Marginal rate of substitution and marginal rate of technical substitution (2marks)

b) Explain the difficulties experienced in measuring National income of a country (6marks)

c) Highlight the main characteristics of a perfect competitive market (5marks)

d) You are given the following functions;

$$Q_1 = 26 - 2p$$

$$Q_2 = -10 + 7p$$

Required;

- i) Identify with reason the demand and supply function (3marks)
- ii) Calculate the equilibrium price and quantity (3marks)

e) Given the following Total Cost (AC) function

$$AC=50Q+3Q^2$$

Derive;

i) Total Cost function (2marks)

ii) Marginal Cost function (3marks)

QUESTION TWO:

a) According to Keynesian, people demand money for three motives. Explain clearly these motives. (10marks)

b) Explain the main causes of unemployment in Kenya (10marks)

QUESTION THREE:

a) Per capita income of Kenya is three times higher than that of Uganda; therefore the welfare of Kenyans is three times higher than Ugandans. Do you agree with this statement? Explain. (10marks)

b) Discuss the five main properties of indifference curves. (10marks)

QUESTION FOUR:

a) Highlight the main sources of monopoly (10marks)

b) Explain the main causes of debt crisis in developing countries. (10marks)

QUESTION FIVE:

a) Government from time to time put price restrictions in the goods market either to protect consumer or producer. Using diagram to illustrate your answer, discuss maximum price policy hence the effects of such policy (10marks)

b) Discuss the main determinants of demand of a given good (10marks)

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