

C-1



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2016/2017**

**FIRST YEAR FIRST SEMESTER EXAMINATIONS FOR THE DIPLOMA  
IN ECONOMICS**

**CITY CAMPUS – REGULAR/EVENING**

**ADE 0100: ECONOMICS**

**Date:** 7<sup>th</sup> June, 2017

**Time:** 2.00 - 5.00 pm

**INSTRUCTIONS:**

- Answer question ONE and any other THREE questions.



### QUESTION ONE

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- a) Write short notes on the following. (6mks)
- i) GNP
  - ii) GDP
  - iii) GNI
- b) Discuss any two methods of measuring of national income (4mks)
- c) Using classical production function for the short run, discuss various stages of production and advise on the best stage to produce (15mks)

### QUESTION TWO

- a) With well-labelled diagram explain the concept of circular flow of income. (15kms)

### QUESTION THREE

- a) Give the definition of money and state its FOUR uses. (5mks)
- b) Explain the concept of Banking. (10mks)
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**QUESTION FOUR.**

- a) Given the following aggregate demand function, calculate the equilibrium income and the multipliers (12mks)

$$AD=C+I+G+(X-M)$$

- b) Differentiate between the accounting costs and economic costs (3mks)

**QUESTION FIVE**

- a) What do you understand by the term market (2mks)  
b) Outline the FOUR characteristics of a market (4mks)  
c) Discuss characteristics of monopolistic competition (9mks)  
d) (6mks)

**QUESTION SIX**

- a) Give FIVE limitations of barter trade (5mks)
- b) Explain the following terms; (6mks)
- i) Autonomous consumption
  - ii) Marginal propensity to consume
  - iii) Induced consumption
- c) Explain the concept of isoquant indicating its usefulness to a manager of a business firm (4 mks).