



## MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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University Examinations 2011/2012

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

**BUS 0160: INTRODUCTION TO ECONOMICS**

**DATE: APRIL 2012**

**TIME: 1½ HOURS**

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

### QUESTION ONE (30 MARKS)

- a. Define the following terms and state an example where possible (10 Marks)
  - i. Gross domestic product
  - ii. Transfer payments
  - iii. Capital goods
  - iv. Monetary policy
- b. Describe the relationship between saving and investment (5 Marks)
- c. Using illustration describe the vicious circle of poverty (5 Marks)
- d. If there is an increase in demand for a good, discuss in what circumstances the price may be expected to:
  - i. Rise
  - ii. Remain constant
  - iii. Fall (6 Marks)
- e. What is the difference between price elasticity of demand and income elasticity of demand for a product? (4 Marks)

### QUESTION TWO (15 MARKS)

A county is said to be underdeveloped if the economic development of that country is in progress or incomplete. In light of this statement describe the problems associated with underdeveloped countries and suggest the possible remedies (15 Marks)

### QUESTION THREE (15 MARKS)

Using relevant graphical illustrations explain the following costs (15 Marks)

- i. Total costs

- ii. Variable costs
- iii. Fixed costs
- iv. Marginal costs
- v. Average costs

**QUESTION FOUR (15 MARKS)**

What are the determinants of national income? Discuss their relative importance (15 Marks)

**QUESTION FIVE (15 MARKS)**

Write short notes on:

- i. Credit controlling tools used by the central bank (5 Marks)
- ii. Functions of commercial banks (5 Marks)
- iii. Functions of money (5 Marks)