



## MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

P.O. Box 972-60200 Meru - Kenya. Tel: 020-2092048, 020 2069349  
Fax: 020-8027449

---

### University Examinations 2010/2011

#### FIRST YEAR, FIRST SEMESTER EXAMINATIONS FOR DIPLOMA IN AGRICULTURAL EDUCATION AND EXTENSION/CERTIFICATE

#### BUS 160: INTRODUCTION TO ECONOMICS

DATE: AUGUST 2010

TIME: 1½ HOURS

---

**INSTRUCTIONS:** Answer *Question one* which is *Compulsory* and any other *two* questions

---

#### QUESTION ONE – (30 MARKS)

- (a) Define economics. (2 Marks)
- (b) Explain the various types of economies. (6 Marks)
- (c) Differentiate between fixed costs and variable costs (4 Marks)
- (d) Using relevant illustrations explain the economies and diseconomies of scale. (8 Marks)
- (e) State the characteristics of a free market. (6 Marks)
- (f) Differentiate between change in demand and change in quantity demanded. (4 Marks)

#### QUESTION TWO – (15 MARKS)

- (a) Discuss the factors that determine the quantity of a commodity supplied. (10 Marks)
- (b) As the price of a commodity  $X_1$  changes from 20 to 30 the quantity demanded of a commodity  $X_2$  changes from 500 Units to 600 Units.
  - (i) Calculate the cross elasticity of demand. (3 Marks)
  - (ii) What is the relationship between the two commodities? (2 Marks)

#### QUESTION THREE – (20 MARKS)

- (a) Discuss the various types of economies of scale in Agriculture. (10 Marks)
- (b) Using relevant illustrations discuss:
  - (i) Total costs
  - (ii) Variance costs

- (iii) Fixed costs
- (iv) Marginal costs
- (v) Average costs. (5 Marks)

**QUESTION FOUR – (15 MARKS)**

- (a) Discuss the methods used in calculating the national income. (12 Marks)
- (b) Explain the following terms:
  - (i) Gross Domestic Product
  - (ii) Gross National Product
  - (iii) Disposable Personal Income. (3 Marks)

**QUESTION FIVE – (15 MARKS)**

- (a) Explain the functions of money. (6 Marks)
- (b) Explain the functions of the commercial banks. (9 Marks)