

UNIVERSITY OF KABIANGA
SCHOOL OF NATURAL RESOURCE AND ENVIRONMENTAL MANAGEMENT SEMESTER
ONE 2017/2018

FOR 217: COURSE TITLE: PRINCIPLES OF ECONOMICS
Main Examination

Marks = 70

Time allowed 3 Hour

Instructions to Candidates: Answer question ONE and THREE other questions

QUESTION ONE

- a) Give your understanding of the following;
- i) Diseconomies of scale, (2mks)
 - ii) Kinked demand curve, (2mks)
 - iii) Implicit cost, (2mks)
 - iv) Natural rate of employment, (2mks)
 - v) Expansion path. (2mks)
- b) Explain the fiscal measures that a country can adopt to improve its economic growth. (9mks)
- c) Suppose the demand function of a firm shifts from.
- $Q_d = 100 - 2p$ to $Q_d = 80 - 2p$ and supply function shifts from $Q_s = 25 + 2p$ and $Q_s = 15 + 2p$.
- i. Find the change in price (2mks)
 - ii. Compute the equilibrium quantity (2mks)
- d) Supposing the general price level in 2016 in Kenya was Ksh.101 and in 2017 it was Ksh 105. Compute the inflation rate. (2mks)

QUESTION TWO

- a) Explain the assumptions of the Marshallian approach to consumption theory. (5 mks)
- b) Describe any five causes of increase in the general price levels in Kenya. (10 mks)

QUESTION THREE

- a) Discuss the gains of trade. (7 mks)
- b) Evaluate the effect of protectionism policy in a country. (8 mks)

QUESTION FOUR

- a) Explain the principles of a good tax system. (7 mks)
- b) Briefly explain the factors that influence demand for a forest product of your choice. (8 mks)

QUESTION FIVE

- a) Discuss the sources of monopoly power of a forest product(s). (7 mks)
- b) Distinguish between inductive method and deductive method. (8 mks)