



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2017/2018

FIRST YEAR FIRST SEMESTER EXAMINATION FOR
DIPLOMA IN BUSINESS ADMINISTRATION

CITY CAMPUS

ADE 0100: ECONOMICS

Date: 1st May 2018

Time 9.00 - 11.00am

INSTRUCTIONS:

- Answer Question ONE and any other THREE questions.

QUESTION ONE

- a) Briefly explain the following terms. (4mks)
- i) Per Capita Income
 - ii) Net National Income(NNI)
- b) Discuss the methods of measuring of national income (6mks)
- c) Using classical production function, discuss various stages of production and advise on the best stage to produce (15mks)

QUESTION TWO

Suppose the market supply and demand equations for dry maize in a given market is as follows.

$$P=11-1/2Q \quad \text{demand}$$

$$P=1+1/3Q \quad \text{supply}$$

Where p is the price in hundreds of Kshs and Q is the quantity of maize. Using graphical illustration, find the equilibrium price and quantity of maize traded in the market from the graph. (15mks)

QUESTION THREE

- 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)

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

With well-labelled diagram explain the concept of five-sector circular flow of income. (15mks)

QUESTION SIX

- a) Give the meaning of international trade. (3mks)
- b) Discuss **SIX** reasons why countries engage in international trade. (12mks)