



MACHAKOS UNIVERSITY

University Examinations for 2017/2018

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

FIRST YEAR SECOND SEMESTER EXAMINATION FOR CERTIFICATE IN
PROCUREMENT AND SUPPLY MANAGEMENT

CPS 110: ECONOMICS

DATE: 15/12/2017

TIME: 2.00-4.00 PM

INSTRUCTIONS

Answer Question **ONE** and any other **TWO** questions

QUESTION ONE

- a) Define the following terms as used in economics (6 marks)
- Total product/output
 - Marginal product
 - Demand
 - Supply
- b) Given that other factors of production are held constant with only labor allowed to vary, complete the table given below (10 marks)

Units of labor	Total output	Average output	Marginal output
1	18		
2	36		
3	60		
4	80		
5	90		
6	96		
7	98		
8	98		
9	90		
10	85		

- c) i. State and explain three types of demand elasticities (6 marks)
- ii. Explain why the concept of elasticity is important (6 marks)
- d) State the factors of production (2 marks)

QUESTION TWO

- a) Define economics based on both welfare and wealth approaches and give the critics for each (10 marks)
- b) Differentiate a price economy from a centrally planned economy and highlight the demerits of the centrally planned economy (7 marks)
- c) Other than the use of market forces of demand and supply, state three other ways in which price can be determined (3 marks)

QUESTION THREE

- a) Using a well labelled diagram, explain the effect of a fall in demand on the equilibrium price and quantity (6 marks)
- b) Explain any five factors that affect efficiency of labour (10 marks)
- c) State any two differences between monopoly and perfect competition (4 marks)

QUESTION FOUR

- a) Given that a firm operating in a perfectly competitive market is making a loss in the short run, use well labelled diagrams to distinguish short run and long run equilibriums of this firm. (12 marks)
- b) Highlight four advantages and four disadvantages of division of labour (8 marks)

QUESTION FIVE

- a) i. Draw a supply curve for a normal good and give reasons as to why it slopes as so (7 marks)
- ii. Indicate and explain what will happen to the supply curve in (a,i) above if there is advancement in production technology (4 marks)
- b) State the roles played by an entrepreneur in production (6 marks)
- c) Differentiate a demand schedule from a demand curve (3 marks)