



MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT
SCIENCES

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

ECONOMICS

DATE: 9/12/2016

TIME: 11:00 - 1:00 PM

INSTRUCTIONS:

Answer questions ONE and any other TWO

QUESTION ONE (30 Marks)

- i) Define economics. (2 marks)
- ii) Explain the following terms as used in the study of economics
 - I. scarcity
 - II. choice
 - III. opportunity cost
 - IV. wants (8 marks)
- iii) Identify and explain five factors that influence the demand for a product. (10 marks)

QUESTION TWO

- a) The following table shows the cost of production of a certain firm in the short-run.

Output (units)	1	2	3	4	5	6
Total Cost (Ksh.000s)	6	10	12	20	28	45

Calculate:

- i) Average Total Cost
- ii) Average Variable Cost
- iii) Average Fixed Cost
- iv) Marginal Cost (10 marks)

- b) Explain the effects of changes in demand on equilibrium price and quantity. (10 marks)

QUESTION THREE

- a) With the help of a diagram, explain the equilibrium of a firm in a perfectly competitive market structure making normal profits. (10 marks)
- b) Identify five features of monopoly market structure. (10 marks)

QUESTION FOUR

- a) Outline five characteristics of land as a factor of production. (10 marks)
- b) With the aid of diagrams explain economies and diseconomies of scale. (10 marks)

QUESTION FIVE

- a) State the law of demand. Explain five conditions under which the law applies. (10 marks)
- b) Define price. With and aid of diagrams explain the determination of price and quantity in a free market situation. (6 marks)