



MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

SUPPLEMENTARY EXAMINATION FOR

DIPLOMA IN ACCOUNTANCY

DPS 102: PRINCIPLES OF ECONOMICS

DATE:

TIME:

INSTRUCTIONS:

- i) Answer question one (Compulsory) and any other two questions**
- ii) Do not write on the question paper**
- iii) Show your working clearly**

QUESTION ONE (COMPULSORY)(30 MARKS)

- a) Distinguish between the following economic concepts;
 - i. Scarcity and Choice
 - ii. Opportunity cost and Scale of preference
 - iii. Normative and positive economics
 - iv. Normal and Inferior good (12 marks)
- b) With the aid of a diagram distinguish between shift in demand curve and movement along the demand curve (6marks)
- c) Briefly explain the assumptions of a monopolistic market structure (6marks)
- d) Define indifference curves and explain its characteristics (6marks)

Question Two

- a) Briefly discuss the factors that will lead to an outward shift in demand curve. (8marks)
- b) Explain the main determinants of price elasticity of supply (6marks)
- b) Given the following function;

$$Q_d = 3550 - 266P$$

$$Q_s = 1576 + 240P$$

Determine the equilibrium price and quantity (6marks)

Question Three

1. a) Complete the table given below (10marks)

Labour	Total Product	Average Product	Marginal Product
0	0		
1	10		
2	20		
3	28		
4	34		
5	38		

- b) Define the term economies of scale and explain different types of internal economies of scale. (10 marks)

Question four

- a) Briefly explain the assumptions of oligopoly market structure (8marks)
- b) With the aid of a diagram explain the equilibrium of a perfect market in the short run. (12 marks)

QUESTION FIVE

- a) Briefly explain the main factors of production for a firm (8marks)
- b) Briefly distinguish between isoquants and isocost lines. (6marks)
- c) With the aid of a diagram explain the cost minimization for a firm. (6marks)