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;

Qd=3550-266P

Qs=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)