MACHAKOS UNIVERSITY
University Examinations 2022/2023
DIRECTORATE TVET
FIRST YEAR SECOUND TERM END OF SEMESTER EXAM FOR
DIPLOMA IN SUPPLY CHAIN MANAGEMENT 2903/105
DIPLOMA IN BUSINESS MANAGEMENT 2906/105
MODULE 1
ECONOMICS

DATE: TIME: ------------------------

INSTRUCTIONS TO CANDIDATES

This paper consists of ***SEVEN*** *questions*
Answer any ***FIVE*** *questions*
All questions carry equal marks
Candidates should answer the questions in English

1. a) With the aid of a diagram explain long-run economic profit of a perfectly competitive firm (12 marks)

   b) Calculate the point elasticity of demand given Qd = 2500 – 80P, where price changes by 1, Price = 200 and Quantity = 1600 (8 marks)

2. a) Explain five factors that cause cost push inflation in a country (10 marks)

   b) The theory of comparative advantage has certain assumptions. Outline these assumptions (10 marks)

3. a) Explain five monetary measures that a government may take to control a high rate of inflation in a country (10 marks)

   b) Explain the different types of price elasticity of supply (10 marks)

4. a) There are certain principles that a good tax system in a country should uphold. Explain five such principles (10 marks)

   b) Explain five differences between commercial banks and non-bank financial institutions (10 marks)

5. a) National income statistics have been used to compare standard of living in different countries. Explain five limitations of using such statistics (10 marks)

b) Demand function Qd= 3550 – 266P
Supply function Qs= 1525 + 240P
Determine the equilibrium market price and quantity (10 marks)

6. a) Explain the advantages which come from within a firm and reduce the cost of operation (10 marks)

b) Using a diagram explain production possibility frontier (PPF) (10 marks)

7. a) Using a diagram explain the three stages of production (8 marks)

b)

Government Purchases	Ksh 120 billion
Depreciation	Ksh 40 billion
Consumption	Ksh 400 billion
Investment	Ksh 60 billion
Exports	Ksh 100 billion
Imports	Ksh 120 billion
Income receipts from the rest of the world	Ksh 10 billion
Income receipts from to the rest of the world	Ksh 8 billion

Based on the information in the table above calculate

a) GDP (4 marks)
b) Net Exports (4 marks)
c) Net National Product (4 marks)