



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS & ECONOMICS

**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF
DEVELOPMENTAL STUDIES**

2ND YEAR 2ND SEMESTER 2021/2022 ACADEMIC YEAR

MAIN CAMPUS

COURSE CODE: ZDS 3227

COURSE TITLE: Introduction To Basic Economics

EXAM VENUE:

STREAM: (BDS)

DATE: 21/12/2022

EXAM SESSION: 9.00-11.00AM

TIME: 2 HOURS

-

Instructions:

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

QUESTION ONE

- a. Using relevant diagrams, explain the followings
- i. Expansionary and contractionary demand
 - ii. Shift in demand

10 Marks

b. Suppose a chair manufacture is producing in the short run (with existing plant and equipment). The Manufacture has observed the following levels of production corresponding to different number of workers.

Number of workers	Number of Chairs
1	10
2	30
3	60
4	88
5	100
6	110
7	118
8	118
9	110
10	100

- i. Calculate the Average and Marginal Product of Labor

4 Marks

- c. Explain the determinants of population growth in most developing countries

10 Marks

- d. Explain the policy measures to control inflation

6 Marks

QUESTION TWO

a. With the aid of a diagram, explain how the short and long run equilibrium can be achieved in a firm operating under Monopoly

10 Marks

- b. The table below shows costs of production for a hypothetical firm:

Total product	Total fixed costs	Total variable costs	Total costs	Average variable costs	Average fixed costs	Average total costs	Marginal costs
10		400	1400				
20			1700				
30			1850				
40			1960				
50			2040				
60			2100				
70			2150				
80			2200				
90			2260				
100			2340				

Copy and complete the table.

10 Marks

QUESTION THREE

a. The following table relates to the national income of a country at certain period of time

items	Amount Millions of Ksh
Closing stock	100
Depreciation	200
Sales	400
Opening Stock	150
Intermediate Consumption	120
Purchase of materials	60

Use the value added method to calculate

GVA, NVA at market prices and NVA at factor cost

8 Marks

b. Using the following demand and supply functions of a commodity Z, compute the equilibrium price and quantity $D = 60 - P$, $S = 40 + P$. Where P is the price of commodity Z, S is the supply of commodity Z and D is the demand for commodity Z

4 Marks

c. Explain the reasons for having the Central bank

8 Marks

QUESTION FOUR

a. Explain the factors that limits consumer sovereignty

10 Marks

b. Explain the reasons why there has been an increase of public expenditure for the last decade

10 Marks

QUESTION FIVE

Write short notes on the following

a. Short run Perfect competition

b. Opportunity cost

c. Importance of studying microeconomics

d. Positive and Normative economies

20 Marks