JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE & TECHNOLOGY UNIVERSITY

EXAMINATIONS 2013

2ND YEAR 1ST SEMESTER EXAMINATION IN BACHELOR OF SCIENCE

(REGULAR)

COURSE CODE: BBM 3211

COURSE TITLE: ELEMENTS OF ECONOMICS

DATE: 12/8/13   TIME: 9.00 -11 .00AM

DURRATION: 2 HOURS

INSTRUCTIONS

1. This paper contains five (5) questions.

2. Answer question 1 (compulsory) and ANY other TWO questions.

3. Write all answer in the booklet provided.

QUESTION ONE

i. Use the National Income Model given below to answer the questions that follows

$Y = C + C + I + G + (X - M)$

$C = a + bY$ Consumption Expenditure

$I = I$ Investment Expenditure

$G = G$ Government Expenditure

$X = X$ Exports

$M = Mo - mY$ Import Function

    a. Based on the National Income model given above , derive the multiplier equation   4 Marks

    b. If $a = 15000$, $I = 10000$, $G = 20000$, $b = 15\%$, $X = 450$, $Mo = 100$ and $mY = 35\%$ 2 Marks

ii. With the help of a diagram explain the price and output under Monopolistic competition both in the short and long run   12 Marks

iii. Explain the reasons why most Countries finds it difficult to reduce public expenditure   12 Marks

QUESTION TWO

i. Explain the features of a free market economy   10 Marks

ii. The table below shows the income and household demand for milk per month

Income (KSH)	Quantity demanded (litters of Milk)
100	60
400	80
700	100
1000	140
1500	180
1700	220
2000	280

Calculate the income elasticity of demand when the income is at Ksh 400, 700, 100, 1500,1700, 2000.   10 Marks

QUESTION THREE

i. Using the following demand and supply functions of a commodity Y . Compute the equilibrium price and quantity?

$D = 70 - P$

$S = 10 + P$

Where P is the price

D is the Demand for commodity Y

S is the supply of commodity Z   4 Marks

ii. Using relevant diagrams explain the following

- Increase and decrease in demand

- Shift of the demand curve   6 Marks

iii. Explain the Monetary policy measures to control money supply in an economy.

10 Marks

QUESTION FOUR

i. Explain the importance and the difficulties of measuring the national income statistics.   12 Marks

ii. Explain the determinants of elasticity of demand.   8 Marks

QUESTION FIVE

i. Highlight the types of inflation in an economy.   4 Marks

ii. Explain the measures to solve the Balance of Payment equilibrium. 6 Marks

iii. Explain the monetary policy measures to control unemployment in a country.

10 Marks