



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND  
TECHNOLOGY**

**UNIVERSITY EXAMINATIONS FOR THE DEGREE OF BACHELOR OF  
CONSTRUCTION MANAGEMENT**

**2<sup>ND</sup> YEAR 1<sup>ST</sup> SEMESTER 2016/2017 ACADEMIC YEAR**

**MAIN CAMPUS**

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**COURSE CODE: BBM 3211                      STREAM: DEGREE**

**TIME: 3 HOURS**

**COURSE TITLE: ELEMENTS OF ECONOMICS**

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**Instructions**

- 1. Answer question ONE and any other TWO**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to invigilator while in examination room**

**QUESTION ONE**

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

$$Y = C + I + G$$

$$C = a + bY \quad \text{Consumption Expenditure}$$

$$I = I \quad \text{Investment Expenditure}$$

$$G = G \quad \text{Government Expenditure}$$

a. If  $a = 200$ ,  $I = 100$ ,  $G = 200$ ,  $b = 15\%$ , 2 Marks

- ii. With the help of a diagram explain the price and output under Monopoly in the short and long run 12 Marks

- iii. Explain the reasons for an increase of public expenditure in most countries 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

Price of good x	Quantity demanded of good x
10	16
40	20
70	24
100	32
150	36
170	40
200	48

Calculate the cross elasticity of demand when the price is at Ksh 40, 70, 100, 150, 170, 200. 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 supply
  - Shift of the supply curve 6 Marks
- iii. Explain the Fiscal policy measures to control the rate of inflation in an developing economy 10 Marks

**QUESTION FOUR**

- i. Explain the importance of measuring the national income statistics 12 Marks
- ii. Explain the determinants of income of demand 8 Marks

**QUESTION FIVE**

- i. Highlight the types of inflation in an economy 10 Marks
- ii. Explain the causes the Balance of Payment equilibrium 10 Marks