



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND
TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF
SCIENCE IN CONTRUCTION MANAGEMENT
2ND YEAR 1ST SEMESTER 2023/2024 ACADEMIC YEAR**

COURSE CODE: BEB 9203

COURSE TITLE: Elements of Economics

EXAM VENUE:

STREAM: ()

DATE:

EXAM SESSION:

TIME: 2 HOURS

Instructions:

- 1. Answer questions ONE 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

SECTION ONE

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

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

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

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

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

$$X = X \quad \text{Exports}$$

$$M = M_0 - mY \quad \text{Import Function}$$

- a. Based on the National Income model given above, derive the multiplier equation
- b. If $a = 15000$, $I = 10000$, $G = 20000$, $b = 15\%$, $X = 450$, $M_0 = 100$ and $mY = 35\%$ 10 Marks
- ii. With the help of a diagram explain the price and output under Monopoly competition both in the short and long run and also the sources 15 Marks

SECTION TWO OBJECTIVE QUESTIONS

5 Marks

- i. An individual demand curve slopes downward to the right because of
- a. Working of the law of diminishing marginal utility
- b. Substitution effect of decrease in price
- c. Income effect of a fall in price
- d. All of the above
- ii. Odongo who is 55 years old and has been a steelworker for 30 years is unemployed because the steel plant in his town closed and moved to a different town. Mr Odongo is experiencing
- a. Cyclical unemployment
- b. Permanent unemployment
- c. Frictional unemployment
- d. Structural unemployment
- iii. Changing of the level of government spending is an example of
- a. Fiscal policy
- b. Interest rate policy
- c. Monetary policy

- d. Exchange rate policy
- iv. In which of the following market structure is the degree of control over the price of its product by a firm very large
 - a. Oligopoly
 - b. Perfect competition
 - c. Monopoly
 - d. In A and B both
- v. Income elasticity of demand is defined as the responsiveness of
 - a. Quantity demanded to a change in income
 - b. Quantity demanded to a change in price
 - c. Price to change in income
 - d. Income to a change in quantity demanded

QUESTION TWO

- i. Explain the reasons for the establishment of the Central Banks 10 Marks
- ii. The table below shows the income and household demand for milk per month

Price	Quantity
10	100
40	80
70	60
100	40
150	20
170	15
200	10

Calculate the price 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 demand
- Shift of the demand curve

6 Marks

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

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. Explain the measures to solve the Balance of Payment equilibrium 10 Marks
- ii. Explain the reasons why most Countries finds it difficult to reduce public expenditure
10 Marks