TECHNICAL UNIVERSITY OF MOMBASA

Faculty of Engineering & Technology

DEPARTMENT OF BUILDING & CIVIL ENGINEERING

DIPLOMA IN ARCHITECTURE

BAC 2140: GENERAL ECONOMICS

END OF SEMESTER EXAMINATION
SERIES: DECEMBER 2013
TIME ALLOWED: 2 HOURS

<u>**Instructions to Candidates:**</u>
You should have the following for this examination
- *Answer Booklet*
This paper consists of **FIVE** questions. Answer question **ONE** and any other **TWO** questions

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Maximum marks for each part of a question are as shown
This paper consists of **TWO** printed pages

Question One

a) Define the following economic terms:
   (i) Opportunity cost
   (ii) Scarcity
   (iii) Utility
   (iv) Unemployment
   (v) Inflation   **(10 marks)**

b) (i) Define the law of demand   **(2 marks)**

   (ii) What are the exceptions of the law of demand   **(8 marks)**

c) Explain the factors that determine money supply in the economy   **(10 marks)**

Question Two

a) (i) The law of diminishing marginal utility is based on the assumption that the consumer is rational. What are the assumptions of rationality?   **(8 marks)**

   (ii) Define an indifference curve   **(2 marks)**

b) Explain FIVE types of unemployment   **(10 marks)**

Question Three

a) A market is said to be perfectly competitive if it meet certain conditions. Explain those conditions
                                                                                             (10 marks)
b) What are the problems associated with measurement of national income   **(10 marks)**

Question Four

a) What are the advantages of international trade to any country   **(10 marks)**

b) State the law of diminishing returns which is known as the law of variable proportions and highlight the key assumptions of these law   **(10 marks)**

Question Five

a) Explain the factors that lead to leftward shift in supply curve   **(10 marks)**

b) Demand pull inflation occurs when the aggregate demand exceeds aggregate supply at current prices. What specifically causes this type of inflation   **(10 marks)**