



THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

Faculty of Engineering

BACHELOR OF ENGINEERING

HRD 2103: GENERAL ECONOMICS I

END OF SEMESTER EXAMS

SERIES: APRIL/MAY 2010.

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

1. The paper consists of **TWO** sections **A** and **B**.
 2. Answer question **ONE** (compulsory) and any other **TWO** questions from Section **B**.
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SECTION A (Compulsory)

Question One

- (a) Define the following terms:
- | | |
|---------------------------------|----------|
| (i) Scarcity | (1 mark) |
| (ii) Gross Domestic Product | (1 mark) |
| (iii) Shut-down price of a firm | (1 mark) |
| (iv) Inflation | (1 mark) |
- (b) Outline **FOUR** roles that money plays in the modern business. (4 marks)
- (c) When the Price of Transformers was one million Five hundred thousand per unit, Fourteen thousand Transformers were demanded by KPLC. When the price of transformer changed to nine hundred and fifty thousand per unit seventeen thousand transformers were purchased by KPLC. Compute the elasticity of demand for transformers by KPLC and interpret it. (5 marks)

- (d) Outline **FOUR** benefits of international trade to a country like Kenya. (4 marks)
- (e) Outline **FOUR** economies of scale that may accrue to a firm in long-run production. (4 marks)
- (f) Outline **FOUR** negative effects of inflation. (4 marks)
- (g) The Potato Growers Association of Kenya estimates that next year the demand and supply functions facing Kenya's potato growers will be:

$$Qd = 28 - 0.04P$$

$$Qs = -2 + 0.16P$$

Determine the Equilibrium Price and Quantity. (5 marks)

SECTION B

(Answer any TWO questions.)

Question Two

- (a) Briefly, explain the three ways that a country measures its national output. (12 marks)
- (b) Explain the long-run equilibrium of a firm in a Monopolistic Market structure. (8 marks)

Question Three

- (a) Assume a firm uses Capital and Labour to produce output and that the price of each of the factor inputs is Kshs.1/=. Fill in the following table.

Labour Units	Capital Units	Total Product	Average Fixed cost	Average Variable cost	Average Total cost	Marginal Cost
0	1	0				
1	1	1				
2	1	4				
3	1	10				
4	1	20				
5	1	28				
6	1	33				
7	1	35				
8	1	36				
9	1	36				

- (b) Outline **FOUR** types of unemployment and **FOUR** ways to curb the unemployment problems. (8 marks)

Question Four

- (a) Utility function of a consumer who uses Maize flour (M) and Fish (F) is given as $U = f(MF)$ where $U = M \bullet F$. Assuming the maize flour price is Kshs.75/= and the price of fish is Kshs.125/= while the monthly income is Ksh.5,000/=. Compute the amount of maize flour and fish the consumer requires to Maximize satisfaction on a monthly basis. (12 marks)
- (b) Explain **FOUR** functions of commercial banks in Kenya. (8 marks)

Question Five

- (a) As a member of East African Community, examine **FOUR** benefits that can accrue to Kenya from the trading bloc. (12 marks)
- (b) The total cost of a firm is given as $C = 100Q + 75$ while the firm's product price is given as $P = 600 - 7Q$. Compute the profit maximizing output and price. (8 marks)