



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Applied & Health Sciences

DEPARTMENT OF PURE AND APPLIED SCIENCES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF SCIENCE IN FOOD & QUALITY ASSURANCE

BAC 4232: GENERAL ECONOMICS

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: FEBRUARY/MARCH 2015

TIME: 2 HOURS

INSTRUCTIONS:

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

This paper consists of Three printed pages

QUESTION 1 (Compulsory)

- a) What is rate of exchange? Discuss the reasons for fluctuations of rate of exchange. **(10 marks)**
- b) Discuss the determination of rate of exchange under gold standard. **(10 marks)**
- c) Critically examine the purchasing power parity theory. **(10 marks)**

QUESTION 2

- a) Distinguish between direct and indirect taxation. Discuss their merits and demerits. **(16 marks)**
- b) Explain the following terms:
 - i) Taxable capacity **(2 marks)**
 - ii) Budgetary policy **(2 marks)**

QUESTION 3

- a) What are human wants? Discuss the characteristics of human wants. **(10 marks)**
- b) Discuss the assumptions and exceptions of law of demand. **(10 marks)**

QUESTION 4

- a) Define supply. Explain the law of supply and its assumptions. **(10 marks)**
- b) Discuss the factors of elasticity of supply. **(10 marks)**

QUESTION 5

- a) What are price controls. Discuss the effects of price controls. **(10 marks)**
- b) Discuss the role of price mechanism in the resource allocation. **(10 marks)**