

**TECHNICAL UNIVERSITY OF MOMBASA
SCHOOL OF BUSINESS**

DEPARTMENT OF MANAGEMENT SCIENCE

DIPLOMA IN LOGISTICS AND TRANSPORT MANAGEMENT

BLT 2102: INTRODUCTION TO ECONOMICS

END OF SEMESTER EXAMINATIONS

SERIES: MAY 2016

TIME: 2 HOURS

INSTRUCTIONS:

- This paper consists of Sections **A** and **B**.
- Section **A** is **Compulsory**. Answer any **TWO** questions in Section **B**.
- Mobile phones are not allowed into the examination room.
- Cheating leads to disqualification.

SECTION A (COMPULSORY)

QUESTION ONE

- (a) Define the following economic terms:-
- (i) Inflation
 - (ii) Unemployment
 - (iii) A market
 - (iv) National income
 - (v) Price consumption curve
 - (vi) Marginal product (12 marks)
- (b) Differentiate between the following economic terms:-
- (i) Demand and Supply (4 marks)
 - (ii) Indifference curve and a budget line (4 marks)
- © Outline the **FIVE** factors that determine the level of national income of a country. (5 marks)
- (d) Using the following functions, find the equilibrium price and quantity.
- $$Q_d = 100 - 2p$$
- $$Q_s = 4p + 20$$
- (6 marks)

SECTION B

QUESTION TWO

- (a) (i) What are the **FOUR** factors that lead to a rightward shift in the demand curve. (8 marks)
- (ii) State the law of supply (2 marks)
- (b) Highlight the **FIVE** major objectives of monetary policies in a country (10 marks)

QUESTION THREE

- (a) Explain any **FIVE** sources of monopoly powers (10 marks)
- (b) Briefly discuss **FIVE** economics of scale that result from producing in large quantities. (10 marks)

QUESTION FOUR

- (a) Explain **FIVE** causes of unemployment in less developed countries. **(10 marks)**
- (b) Using a well labeled diagram, explain the effect of the changes in income on the consumer equilibrium point. **(10 marks)**

QUESTION FIVE

- (a) Explain **FIVE** causes of inflation in a country like Kenya. **(10 marks)**
- (b) Briefly discuss any **FIVE** features of a perfect competitive market. **(10 marks)**