

**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: DECEMBER 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) Unemployment
- (ii) Price Consumption Curve
- (iii) Per Capita Income
- (iv) Micro Economics
- (v) Economic resources
- (vi) Gross Domestic Product

(12 marks)

(b) i) Describe **THREE** characteristics of a perfect competition market structure.

(6 marks)

ii) A single commodity market model is defined by the following equations:

$$Q_d = 20P - 29$$

$$Q_s = 24P - 49$$

Required;

Compute the equilibrium price and quantity.

(4 marks)

© Briefly discuss the **THREE** properties of an isoquant.

(6 marks)

(d) State the law of demand

(2 marks)

SECTION B

QUESTION TWO

- (a) (i) Discuss **FOUR** factors that may lead to a leftward shift of the demand curve. **(8 marks)**
- (ii) Define the term “scarcity and choice”. **(2 marks)**
- (b) Explain any **FIVE** advantages of a monopoly type of a market structure in an economy. **(10 marks)**

QUESTION THREE

- (a) Explain any **FIVE** types unemployment that a country like Kenya faces. **(10 marks)**
- (b) Describe **FIVE** diseconomies of scale a firm can experience when it increases its level of production. **(10 marks)**

QUESTION FOUR

- (a) Elaborate **FIVE** solutions to the problem of inflation that Kenya is grappling with. **(10 marks)**
- (b) Illustrate the effect of a decrease in income of an individual on the consumer equilibrium point. **(10 marks)**

QUESTION FIVE

- (a) Highlight **FIVE** objectives of monetary policies in a country. **(10 marks)**
- (b) Discuss **FIVE** factors that contribute to low economic growth rates in developing countries. **(10 marks)**