

**TECHNICAL UNIVERSITY OF MOMBASA
SCHOOL OF BUSINESS**

DEPARTMENT OF MANAGEMENT SCIENCE

BACHELOR OF COMMERCE

BFI 4109: PRINCIPLES OF 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 **FOUR** functions that money plays in an economy.

(4 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) Illustrate the Phillip's curve.

(4 marks)

SECTION B

QUESTION TWO

- (a) Differentiate between the indifference curve and budget line and briefly describe the properties of the indifference curve. **(10 marks)**
- (b) As a policy advisor to the government, you have been tasked to come up with any **FIVE** possible solutions to the problem of unemployment. **(10 marks)**

QUESTION THREE

- (a) Explain **FIVE** factors that cause a rightward shift of the supply curve. **(10 marks)**
- (b) Discuss any **FIVE** features of a monopolistic type of a market structure. **(10 marks)**

QUESTION FOUR

- (a) List and explain the **THREE** approaches that are used to measure the national income of a country. **(10 marks)**
- (b) Illustrate the effect of a decrease in price on the consumer equilibrium point. **(10 marks)**

QUESTION FIVE

- (a) Illustrate **FIVE** factors that influence the level of economic growth in Kenya. **(10 marks)**
- (b) Briefly discuss **FIVE** sources of monopoly's power. **(10 marks)**