



TECHNICAL UNIVERSITY OF MOMBASA  
**Faculty of Engineering &  
Technology**

DEPARTMENT OF BUILDING & CIVIL ENGINEERING

DIPLOMA IN ARCHITECTURE

BAC 2140: GENERAL ECONOMICS

**END OF SEMESTER EXAMINATION**

SERIES: DECEMBER 2013

**TIME ALLOWED: 2 HOURS**

**Instructions to Candidates:**

You should have the following for this examination

- *Answer Booklet*

This paper consists of **FIVE** questions. Answer question **ONE** and any other **TWO** questions

Maximum marks for each part of a question are as shown  
This paper consists of **TWO** printed pages

### Question One

- a) Define the following economic terms:
- (i) Opportunity cost
  - (ii) Scarcity
  - (iii) Utility
  - (iv) Unemployment
  - (v) Inflation (10 marks)
- b) (i) Define the law of demand (2 marks)
- (ii) What are the exceptions of the law of demand (8 marks)
- c) Explain the factors that determine money supply in the economy (10 marks)

### Question Two

- a) (i) The law of diminishing marginal utility is based on the assumption that the consumer is rational. What are the assumptions of rationality? (8 marks)
- (ii) Define an indifference curve (2 marks)
- b) Explain FIVE types of unemployment (10 marks)

### Question Three

- a) A market is said to be perfectly competitive if it meet certain conditions. Explain those conditions (10 marks)
- b) What are the problems associated with measurement of national income (10 marks)

### Question Four

- a) What are the advantages of international trade to any country (10 marks)
- b) State the law of diminishing returns which is known as the law of variable proportions and highlight the key assumptions of thee law (10 marks)

### Question Five

- a) Explain the factors that lead to leftward shift in demand curve (10 marks)
- b) Demand pull inflation occurs when the aggregate demand exceeds aggregate supply at current prices. What specifically causes this type of inflation (10 marks)