

MURANG'A COLLEGE OF TECHNOLOGY
BUSINESS STUDIES DEPARTMENT
CLASS: BS/BM/012D AND BS/CM/012D
ECONOMICS CAT I
TIME: 2 HOURS
DATE: 23RD AUGUST 2012

- Q1. (a) Clearly explain the distinction between supply demand and equilibrium price. (8 marks)
- (b) State and briefly explain any four main factors that many cause a fall in the supply of a good in the market. (4 marks)
- (c) The table below shows the demand and supply schedules for a product.

Price per kg	Demand (kg)	Supply (kg)
10	100	20
20	85	36
30	70	53
40	55	70
50	40	87
60	25	103
70	10	120

Required

Plot the demand and supply curves and determine the equilibrium price and quantity. (8 marks)

- Q2. (a) Why is it important to estimate National income of a country? What difficulties do economist encounter while carrying out such a task especially in developing countries.
- (b) The table below represent economic transactions of a country ABC in billions of shillings.
- | | Total output | Intermediate purchases |
|---------------|--------------|------------------------|
| Agriculture | 30 | 10 |
| Manufacturing | 70 | 45 |
| Berries | 55 | 25 |
- (i) Calculate the GNP of this economic using the value added approach. (3 marks)
- (ii) If depreciation and indirect taxes equal to 8 million and 7 billions respectively find the Net Domestic product both at market price and factor cost. (4 marks)
- (c) Briefly explain the multiplier and accelerator principles. (3 marks)