



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

FOR BACHELOR

IN

PURCHASING AND SUPPLIES MANAGEMENT.

COURSE CODE: HRD 2103

COURSE TITLE: GENERAL ECONOMICS.

DATE : 26TH APRIL 2016

TIME: 2 HOURS.

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer ANY OTHER TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities



QUESTION ONE

- a) Capital is one of the main factors of production. Explain FIVE forms of capital (5 marks.)
- b) What are human wants? And discuss the two human wants classification with their subdivisions. (10 marks.)

- c) Gatheru and Karibu graduated from MKUNBI University and instead of seeking employment, set up a Management Consultancy. They have recently started to give business advice to their clients. Acting as consultants, they have estimated the demand curve of a client's firm to be;
 $AR = 200 - Q$

Where AR is average revenue in millions of shillings and Q is the output in units. Investigations of the clients firm's cost profile shows that marginal cost (MC) is given by: $MC = Q^2 - 28Q + 211$ (in millions of shillings) Further investigations have shown that the firm's cost when not producing output is Sh.10 million.

Required:

- a) The equation of total cost. (4 marks)
- b) The equation of total revenue (3 marks)
- c) An expression for profit (2 marks)
- d) The level of output that maximizes profit. (4 marks)
- e) The equation of marginal revenue. (2 marks)

QUESTION TWO

- a) Explain FIVE factors that determine elasticity of demand. (10 marks.)
- b) State the FIVE ideal conditions for a perfect competition market. (10 marks.)

QUESTION THREE

- a) Public Debt is a source of public finance. Explain FIVE importance of the public debt. (10 marks.)
- b) Monetary policy is operated by the Central Bank through the instruments of credit control. Explain FIVE Instruments. (10 marks.)

QUESTION FOUR

- a) A commercial bank is a financial institution which deals with money and credits and established to earn profit. Explain FOUR main advantages. (8 marks.)
- b) Causes of inflation may be classified into two types. Discuss them and illustrate the reasons why it may occur under the two different types. (12 marks.)