



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: HRD 2103

COURSE TITLE: GENERAL ECONOMICS

DATE: 22ND APRIL 2015

TIME: 2 Hours

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer THREE (3) questions

MRUC observes ZERO tolerance to examination irregularities

This Paper Consists of 3 Printed Pages. Please Turn Over. ►

QUESTION ONE

- a) A market was operating at an equilibrium point e_1 , by use of a diagram show and explain the new equilibrium e_2 when the income of consumers decreases (5 marks)
- b) Explain what is meant by international trade and critically discuss the reasons for protection of local industries from international trade (10 marks)
- c) Explain the forms of mobility in the factors of production (10 marks)
- d) By use of the production possibilities curve, explain the concept of choice and opportunity cost. (5 marks)

QUESTION TWO

- a) In determining the national income some challenges are experienced in its calculations. Briefly explain difficulties in measuring the national income. (6 marks)
- b) Clearly distinguish between macroeconomics and microeconomics giving examples of each. (4 marks)
- c) Explain the importance of money in the economy. (10 marks)

QUESTION THREE

- a) The consumer theory explains the objective of individuals in demanding a good. By use of a well labeled diagram show and explain the consumer equilibrium. (10 marks)
- b) The IMF has continued to encourage Central banks to target inflation. Discuss why it is important for the Central bank of Kenya to target Inflation as the primary economic indicator. (10 marks)

QUESTION FOUR

- a) The Cabinet Secretary of Treasury of Kenya announced the government budget in mid this year. Discuss the importance for governments to prepare a budget document. (10 marks)
- b) Define fiscal policy and discuss the limitations to the implementation of fiscal policy (10 marks)

QUESTION FIVE

- a) As county governments continue to agitate for more resource allocations, discuss the advantages of increased direct taxations by these governments as a way of raising funds. (10 marks)
- b) Discuss the *five* stages of economic integration (10 marks)