



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

FOR THE DIPLOMA

IN

BUSINESS MANAGEMENT & COOPERATIVE MANAGEMENT

COURSE CODE: BS1107

COURSE TITLE: ECONOMICS

DATE: 22ND APRIL 2015

TIME: 2 HOURS.

INSTRUCTIONS TO CANDIDATES

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

MRUC observes ZERO tolerance to examination irregularities



QUESTION ONE

- 1) Demand may be more elastic or less elastic. There are several factors which determine the elasticity of demand discuss at least FIVE factors. (10 marks.)
- 2) List and explain 3 advantages of price mechanism and 3 disadvantages of price mechanism. (12 marks.)
- 3) Discuss FOUR barriers to geographic mobility of labour. (10 marks.)

QUESTION TWO

- 1) Economies of scale are of two kinds Internal and external economies. Differentiate them and state the external economies of scale. (10 marks.)
- 2) Price determination in the long run period supply conditions are fully adopted to meet the new demand condition. Explain with the help of a diagram the effect if there is an increase in demand as the firm output expands. (10 marks.)

QUESTION THREE

- 1) Discuss FIVE main problems of the firm. (10 marks.)
- 2) State FIVE conditions under which a market is said to be perfectly competitive also illustrate with a diagram when the long run equilibrium exist in perfect competition. (10 marks.)

QUESTION FOUR.

- 1) Discuss the effects of simultaneous changes in demand and supply. Incase of both increase and decrease in demand and supply. (10 marks.)
- 2) Explain FIVE goals or objectives which monetary policy may be expected to accomplish. (10 Marks.)