(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2017/18 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER

MAIN EXAMINATION

FOR THE DIPLOMA IN EDUCATION

COURSE CODE: EDF 106

COURSE TITLE: FUNDAMENTALS OF ECONOMICS

DATE: 18/01/2018 **TIME:** 2.00 P.M - 4.00 P.M

INSTRUCTIONS TO CANDIDATES
Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

KIBUCO observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over. ▶

QUESTION ONE

Use supply and demand curves to illustrate how the following event would affect the price of butter and the quantity of butter bought and sold:
a. An increase in the price of margarine.

b. An increase in the price of butter.

c. An increase in the number of bakeries causes a fall in the price of bread.   17 marks

b) Explain the difference between a shift in the demand curve and a movement along the demand curve.
                                                                                         3 marks

c) Given the following equations for demand and supply of books:
Qty. (demand) = $300 - 2P + 4I$
Qty. (supply) = $3P - 50$.
If Income (I) = 25,
i) Find the market clearing price and quantity . 5 marks

ii) If the government sets the maximum price of books at sh.80. What would be the quantity demand and quantity supply? Will there be a surplus or shortage in the market? 5 marks

QUESTION TWO

i)   Discuss causes of unemployment in Kenya today.   10 marks

ii) Suggest possible policy measures the government is taking to solve the unemployment problem.
     10 marks

QUESTION THREE

i)   Explain three approaches used in measuring national income 10 marks
ii) Explain five reasons why countries take national income statistics   10 marks

QUESTION FOUR

i)   Explain five features of perfect completion 10 marks
ii) Discuss factors influencing elasticity of demand of tomatoes in Bungoma county 10 marks