



PIONEER INTERNATIONAL UNIVERSITY

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UNIVERSITY EXAMINATIONS (SPECIAL PAPER)

ACADEMIC YEAR: **2019/2020**
SEMESTER: **MAY-AUGUST 2020**

UNIT NAME: **ECONOMIC I**
UNIT CODE: **DBM 111**

DATE: **JULY 2020**

TIME: **2 HOURS**

SECTION A: COMPULSORY (30 MARKS)

INSTRUCTIONS: Answer **QUESTION ONE** and any other **TWO** questions

Question one : (COMPULSORY) 30 Marks

- (a) Explain clearly the following economic concepts:
- i. Equilibrium (2mks)
 - ii. Scarcity (2mks)
 - iii. Opportunity cost (2mks)
 - iv. Demand Schedule (2mks)
 - v. Diminishing marginal utility (2mks)
- (b) Define demand function (2mks)
- (c) With respect to demand explain the term *Ceteris paribus* (2mks)
- (d) With relevant examples explain the effect of the following changes on the demand for beef:
- i. A fall in the price of beef (1mk)
 - ii. A health campaign which claims that beef makes you fat (1mk)
 - iii. A rise in the price of substitutes of beef (1mk)
 - iv. A fall in the price of substitutes (1mk)
 - v. A fall in the price incomes of consumers (1mk)
 - vi. A rise in the wages of beef workers (1mk)

(e) Differentiate between the following paired concepts

- i. Variable costs and fixed costs (2mks)
- ii. Change in quantity demand and shift in demand (4 mks)
- iii. Marginal utility and marginal productivity (4mks)

Question two (15marks)

- (a) Define an indifference curve and give four of its characteristics (5mks)
- (b) Using indifference curves analysis, show the effect of a change in the price of commodity x (a normal good) while the price of commodity y is held constant (10mks)

Question three (15marks)

- Q Define supply and four factors that affect it (5mks)
- Define an indifference curve and give the four properties of indifference curves (5mks)
- (b) Explain the consumer's equilibrium position using indifference curve approach. (5mks)

Question four (15marks)

- (a) Define production function (1mks)
- (b) Discuss the differences between diminishing marginal returns and returns to scale (4mks)
- (e) Define and indicate the various types of economies of scale (6mks)
- (f) What factors influence economies of scale? (4mks)

