



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

CITY CAMPUS

MAIN EXAMINATION

MAY - JULY 2014 TRIMESTER

FACULTY OF ARTS AND SOCIAL SCIENCES

DEPARTMENT OF DEVELOPMENT STUDIES

EVENING PROGRAMME

DPM 519: PRINCIPLES OF ECONOMICS

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Date: JULY 2014

Duration: 3 Hours

Instructions: Answer ANY FOUR Questions

- Q1. a) Distinguish the following economic concepts:
- i) Perfect competition and imperfect competition. **(4 marks)**
 - ii) Economies of scale and diseconomies of scale. **(4 marks)**
 - iii) Substitutes and complementary goods **(2 marks)**
 - iv) Merit and demerit goods **(2 marks)**
- b) Write short notes on:
- i) John Keynes argument **(3 marks)**
 - ii) Capital as factor of production **(3 marks)**
 - iii) Price controls **(2 marks)**
- Q2. a) Briefly explain the determinants of demand. **(8 marks)**
- b) Examine the role of government in addressing market failures. **(12 marks)**
- Q3. Most economies are currently opting for a mixed economic system as opposed to controlled economic system. Discuss. **(20 marks)**

- Q4. a) What factors influence the supply of a commodity in the market? **(8 marks)**
- b) Specify policy recommendations that would support supply of goods and services. **(12 marks)**
- Q5. a) What qualities are needed in an effective entrepreneur? **(6 marks)**
- b) Is it possible to improve the factors of production to make them better? Argue. **(14 marks)**
- Q6. The Managing Director of Blue band has hired you as a consultant to advise in the pricing strategy. Make recommendations. **(20 marks)**

END