



# **GRETSA UNIVERSITY - THIKA**

**UNIVERSITY EXAMINATIONS  
JAN- APRIL 2025 SEMESTER**

**BACHELOR OF COMMERCE**

**COURSE CODE: ECON100**

**COURSE TITLE: PRINCIPLES OF ECONOMICS**

**DATE:**

**TIME:**

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**INSTRUCTIONS TO CANDIDATES**

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **TWO** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

**CAUTION:** *All exam rooms are under CCTV surveillance during the examination period.*

## SECTION A: COMPULSORY

### Question One

a) Discuss the four effects of price decontrols in economy **[8 marks]**

b) Given the following market schedules

Price (Ksh.)	Quantity demanded (kgs)	Quantity supplied (kg)
100	250	50
200	200	100
300	150	200
400	100	300
500	50	400

(i) Derive the demand function. **[4 marks]**

(ii) Derive the supply function. **[4 marks]**

(iii) Calculate the equilibrium price and output. **[6 marks]**

c) Discuss the four factors that affect quantity demanded of commodity **[8 Marks]**

## SECTION B: ANSWER ANY TWO QUESTIONS

### Question Two

a) Discuss the six applicability of elasticity of supply in decision making **[12 marks]**

b) Explain the four factors that cause a shift in demand for a given good **[8 marks]**

### Question three

a) Write short notes on the following:

i) Opportunity Cost and Pareto Efficiency **[4 marks]**

ii) Cobb-Douglas production function **[4 marks]**

b) The following table shows the schedule of labor and total product.

Labour	Total Product
0	0
5	30
10	40
15	50
20	60
25	70
30	70
35	60
40	50

Required:

- i) Calculate the Average Product **[4 marks]**
- ii) Calculate the marginal product **[4 marks]**
- c) Illustrate through a graph the three stages of diminishing marginal returns in a production process **[4 marks]**

#### Question Four

- a) Explain 4 advantages and 4 disadvantages in specialization in economics **[8 marks]**
- b) Discuss the six assumptions of the Cardinal approach in consumer behaviour **[12 marks]**

#### Question Five

- a) Discuss the 4 reasons for exceptions of the law of demand **[12 marks]**
- b) Economics essentially studies the way in which mankind provides for the material well-being. Explain the 4 limitations of command economy **[8 marks]**