

LAIKIPIA



UNIVERSITY

# UNIVERSITY EXAMINATIONS

**1<sup>ST</sup> SEMESTER 2023/2024 ACADEMIC YEAR**

**FIRST YEAR EXAMINATION FOR THE DEGREE OF  
BACHELOR OF SCIENCE IN ECONOMICS AND  
STATISTICS**

**ECON 100: INTRODUCTION TO ECONOMICS**

***STREAM: BMED***

***TIME: 2 HRS***

***DAY: FRIDAY [8.30-10.30 A.M]***

***DATE: 8/12/2023***

**THIS QUESTION PAPER CONSISTS OF THREE (3) PAGES**

**PLEASE DO NOT OPEN UNTIL THE INVIGILATOR SAYS SO.**



**Instructions: Answer three questions.**

**Question one is compulsory**

**QUESTION ONE**

- a) Briefly explain the concept of economics from wealth, welfare and scarcity perspective. **(10 Marks)**
- b) Economics is said to be a positive science, state what is meant by ‘science’ and ‘positive’ and comment upon this description. **(10 Marks)**
- c) i) while giving specific examples, explain the distinction between Microeconomics and Macroeconomics. **(5 Marks)**  
 ii) State two different examples of economic problems, in each case, which are classified as microeconomics and macroeconomics. **(5 Marks)**

**QUESTION TWO**

- a) i) Suppose an individual spends his weekly income of \$150 on two goods X @ \$10 per unit and Y @ \$15 per unit, how would his budget line look like? **(3 Marks)**  
 ii) Demonstrate changes in his budget line in a situation where the price of X doubles, price of Y halves, and when income rises to \$ 250 per week. **(7 Marks)**
- b) Explain why prices of agricultural goods usually fluctuate more than the prices of manufactured goods. What measures can government put in place to salvage farmers? **(10 Marks)**

**QUESTION THREE**

- a) Consider the following prices, quantity demanded and quantity supplied data for good X.

Price in \$	2	4	6	8	10	12
Quantity demanded	100	80	60	40	20	0
Quantity supplied	25	35	45	55	65	75

- i) use graphical illustration to identify equilibrium price and quantity. **(3 Marks)**
- ii) Compute elasticity of demand and supply at the equilibrium. **(5 Marks)**
- iii) Suppose the sale tax of \$2 per unit is imposed on good X, show the effect of this on the graph and identify new equilibrium price and quantity. **(5 Marks)**

- b) Outline the circumstances under which you think government intervention in the working of the pricing system can be justified in an industrially advanced country and in a less developed country. **(7 Marks)**

**QUESTION FOUR**

- a) Explain the concept of national income. What are the approaches used in measuring the national income of a country. **(10 Marks)**
- b) By focusing forms of unemployment in developing country like Kenya, outline measure that the government has put in place to address the challenge. **(10 Marks)**

**QUESTION FIVE**

- a) Outline the effects of climate change on economic performance of an agro-based economy like Kenya. Suggest some remedies which may salvage the challenge. **(10 Marks)**
- b) What do you understand by Sustainable Development Goals (SDGs) as global agenda for economic transformation? **(5 Marks)**
- c) Explain any three Sustainable Development Goals you may have an idea of. **(5 Marks)**

