



MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

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UNIVERSITY EXAMINATIONS 2024/2025

SECOND YEAR, FIRST SEMESTER EXAMINATION FOR DIPLOMA IN BUSINESS
ADMINISTRATION

BFD 2206: INTERMEDIATE ECONOMICS

DATE: DECEMBER 2024

TIME: 1 ½ HOURS

INSTRUCTIONS: *Answer Question ONE (compulsory) and any other TWO Questions.*

QUESTION ONE - (30 MARKS)

- a) Explain four distinctions between microeconomics and macroeconomics. (8 Marks)
- b) State the factors that affect the supply of a commodity. (6 Marks)
- c) Illustrate using diagram concept of production possibility frontier. (6 Marks)
- d) Discuss the causes of supply curve to shift to the right. (6 Marks)
- e) Distinguish between normal good and inferior good. (8 Marks)

QUESTION TWO - (20 MARKS)

- a) Demand function of wheat is $Q = 400000 - 10000p$ and supply function of chocolate is $Q = 10000p - 40000$. Find the equilibrium price and quantity of wheat. (4 Marks)
- b) Discuss the causes of shift of demand curve. (8 Marks)
- c) Define the term inflation and explain three types of inflation. (8 Marks)

QUESTION THREE - (20 MARKS)

- a) State the characteristics of indifference curve. (8 Marks)
- b) Discuss the properties of money. (12 Marks)

QUESTION FOUR (20 MARKS)

- a) Discuss the characteristics of perfect competition market. (8 Marks)
- b) Define the term unemployment and explain five causes of unemployment in Kenya. (12 Marks)

QUESTION FIVE – (20 MARKS)

- a) Defined public good. (2 Marks)
- b) Explain the characteristics of public good. (4 Marks)
- c) Distinguish between negative externality and positive externality giving examples. (8 Marks)
- d) Discuss the types of investment. (6 Marks)