KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2010/2011

INSTITUTE OF OPEN LEARNING

EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE

(WATER ENGINEERING)

SET 214: ECONOMICS FOR ENGINEERS

DATE: WEDNESDAY 6TH JULY, 2011 **TIME: 11:00 A.M. – 1:00 P.M.**

INSTRUCTIONS
This paper contains 5 questions
Answer ANY OTHER THREE questions

QUESTION 1

a) Describe briefly what you understand by:-
   i. Internal economies of scale {3 marks}
   ii. Internal diseconomies of scale {3 marks}

b) What factors favour the survival of small firms compared with large enterprises in difficult trading environments? {6 marks}

c) Briefly explain the following
   i. What is monopoly? {2 marks}
   ii. What is oligopoly? {2 marks}
   iii. What factors tend to favour a monopolist environment? {4 marks}

QUESTION 2

a) Discuss the following
   i. What is a national income? {4 marks}
   ii. What approaches are used in its measurement? {6 marks}

b) Is it advisable to use national income to compare the standards of living of two countries? Explain your answer. {10 marks}

QUESTION 3

a) What is the law of demand and how is price related to quantity demanded? {4 marks}

b) Is it good policy to control the price of essential goods? Explain. {6 marks}

c) List five factors which affect the demand and four factors which affect the supply of a commodity and explain briefly on these factors {10 marks}

QUESTION 4

a) What do you understand by a production function? {4 marks}

b) Distinguish between the short-run and the long-run and their significance for production **and** costs. {6 marks}

c) What is meant by breakeven analysis? How is it useful? {6 marks}

d) Why is a supply curve positively sloped, in general? {4 marks}

QUESTION 5

a) What is meant by consumer's rationality and what economic role do they play in market? {5 marks}

b) What are the factors that govern producers' behavior with respect to output and price? {4 marks}

c) State the law of diminishing marginal productivity and explain how it is applicable in practice. {4 marks}

d) What are opportunity costs? {3 marks}

e) Why do markets sometimes fail to perform? Is intervention always justified? {4 marks}