



**STRATHMORE INSTITUTE OF MANAGEMENT AND TECHNOLOGY
DIPLOMA IN INTERNATIONAL RELATIONS
END OF SEMESTER EXAMINATION
DIR 1304: ECONOMICS AND INTERNATIONAL RELATIONS**

DATE: 28th April, 2022

Time: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer Question **one (COMPUSLORY)** and **any other two questions**.
3. Do not write on the question paper.

QUESTION ONE (COMPULSORY)

- a) Identify four reasons against international trade restrictions. (4 marks)
- b) Argue 4 cases against the use of national income statistics to compare the standards of living between countries. (4 marks)
- c) Highlight four salient features of a monopolistic competition market structure. (4 marks)
- d) State the law of diminishing marginal utility and mention any four exceptions to the law (5 marks)
- e) Highlight three causes of demand pull inflation in an economy. (3 marks)
- f) The following information relates to the demand of a commodity in relation to the income of a consumer:

Income (Sh.)	Demand (Units)
15,000	16
29,000	7

Required:

The income elasticity of demand of the commodity. Interpret your result. (3 marks)

g) The following are the cost structures of a firm:

Output (units)	0	1	2	3	4	5	6	7
Fixed costs (Sh'000)	10	10	10	10	10	10	10	10
Total Variable costs (Sh '000')	0	5	12	18	30	40	47	52

Required:

For every unit of output, determine the marginal revenue and average revenue (4 marks)

(30 Marks)

QUESTION TWO

- a) State seven economic goals of developing countries. (7 marks)
- b) With the aid of well labelled diagrams analyse the effects of each of the following situations on the market equilibrium price and quantity of an agricultural product X:
 - i. Discovery of a new use for product X by consumers, accompanied by bad weather condition. (4 marks)
 - ii. Simultaneous increase in government subsidy on product X accompanied by a reduction in the price of the substitute product Y. (4 marks)

(15 Marks)

QUESTION THREE

- a) Enumerate five factors that could lead to a rightward shift of the supply curve. (5 marks)
 - b) Summarise five ways through which the government could influence the allocation of resources in a free market economy. (5 marks)
 - c) Enumerate five barriers to occupational mobility of labour. (5 marks)
- (15 Marks)**

QUESTION FOUR

- a) List three properties of indifference curves (3 marks)
- b) Explain four disadvantages of a centrally planned economy. (4 marks)
- c) Briefly explain any four determinants of national income (4 marks)

- d) The following information relate to the price per unit and quantity supplied of a certain product:

Price per unit (Sh.)	12	10	8	5
Quantity supplied (units)	12,000	11,000	9,000	6,000

Required:

Price elasticity of supply when price decreases from Sh.10 per unit to Sh.5 per unit. Interpret your result.

(4 marks)

(15 Marks)

QUESTION FIVE

- a) Discuss five negative effects of inflation in an economy. (10 marks)
- b) Describe five causes of balance of payment deficits in developing countries. (5 marks)
- (15 Marks)**