



Strathmore
UNIVERSITY

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

DATE: 8th September

Time: 2 Hours

Instructions

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

QUESTION ONE (COMPULSORY)

Commented [P1]: Indicate total marks at the end of the question

- a. Examine five limitations of a planned economic system. (5 marks)
 - b. Describe three methods that could be used to measure the national income of a country. (6 marks)
 - c. Enumerate five factors that determine the price elasticity of demand of a commodity. (5 marks)
 - d. Suggest five policy measures to combat the balance of payments deficit. (5 marks)
 - e. Highlight four salient features of a monopolistic competition market structure. (4 marks)
 - f. Using appropriate illustrations, describe consumer equilibrium under the cardinal approach to the theory of consumer behaviour (5 marks)
- (30 MARKS)**

QUESTION TWO

- a) Explain five factors that lead to the internal economies of scale in an economy. (10 marks)
 - b) With the aid of a diagram, explain the concept of production possibility curve (5 marks)
- (15 MARKS)**

QUESTION THREE

- a) Give four arguments against international trade restrictions. (10 marks)
 - b) Summarise five factors that could lead to a leftward shift of the supply curve of a commodity (5 marks)
- (15 MARKS)**

QUESTION FOUR

- a) The table below shows the quantity of units produced by a certain firm and the corresponding total cost:

Units produced	Total cost (Sh."000")
0	77
2	216
4	235
6	319
8	348
10	382

Required:

- (i) The average variable costs when the units produced are 2, 6 and 10 respectively. (3 marks)
- (ii) The marginal costs of production for the 4th and 8th units respectively. (2 marks)
- b) Suggest five policy measures that could be adopted by a government to enhance geographical mobility of labour within a country. (5 marks)
- c) With the aid of an appropriate diagram, explain the relationship between the short run average cost curve and the long run average cost curve. (5 marks)
- (15 MARKS)**

QUESTION FIVE

- a. Discuss five negative effects of inflation in an economy. (10 marks)
- b. Highlight five determinants of economic development in a country. (5 marks)

(15 MARKS)