

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**FIRST YEAR EXAMINATION FOR THE AWARD OF
CERTIFICATE IN BUSINESS MANAGEMENT**

CIBM 00121: ECONOMICS

STREAMS:

TIME: 2 HOURS

DAY/DATE : TUESDAY 28 /09/ 2021

11.30 AM – 1.30 PM

INSTRUCTIONS:

- Answer ALL Questions in Section A and any other TWO in Section B
- Do not write on the question paper

QUESTION ONE

- (a) Differentiate the following terms as used in economics;
- (i) Microeconomics and Macroeconomics
 - (ii) Scarcity and opportunity cost
 - (iii) GDP and GNP
 - (iv) Demand and Supply [8 Marks]
- (b) Using a diagram, discuss the relationship between scarcity, opportunity cost and choice. [7 Marks]
- (c) Given the following functions:
- $$Q_1 = -40 + 3P$$
- $$Q_2 = 80 - 3P$$
- (i) Giving the reasons for each, state the demand and supply functions. [3 Marks]

- (ii) Compute the equilibrium price and quantity. [4 Marks]
- (iii) Illustrate the results in (ii) above in a diagram [3 Marks]
- (d) Highlight the factors affecting supply of a commodity. [5 Marks]

QUESTION TWO

- (a) Discuss the exemptions to the law of demand. [10 Marks]
- (b) Discuss the simple circular flow of income. [6 Marks]
- (c) Explain the basic functions of money. [4 Marks]

QUESTION THREE

- (a) Explain the types of unemployment experienced in Kenya. [10 Marks]
- (b) Discuss the motive of holding money according to Keynes. [6 Marks]
- (c) Explain the effects of inflation in any given economy. [4 Marks]

QUESTION FOUR

- (a) Discuss the approaches used to measure national income. [6 Marks]
 - (b) Give reasons why Per capita is not a good measure of social welfare of people. [8 Marks]
 - (c) Discuss the policies which can be used to boost employment in Kenya. [6 Marks]
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