

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

RESIT/SPECIAL

EXAMINATION FOR THE AWARD OF CERTIFICATE IN BUSINESS  
MANAGEMENT

CIBM 00121: INTRODUCTION TO ECONOMICS

STREAMS: CIBM

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 03/02/2021

11.30 A.M. – 1.30 P.M.

**INSTRUCTIONS:**

- 1 Distinguish between the following terms as used in economics
- (i) Veblen goods and giffen goods
  - (ii) Demand and supply
  - (iii) Microeconomics and macroeconomics
  - (iv) Inflation and deflation ( 8 marks)
- b) Given the following functions:
- $$Q_1 = -4 + 4P$$
- $$Q_2 = 12 - 4P$$
- I. State the demand and supply functions respectively. (2 marks)
  - II. Compute the equilibrium quantity and market price. (5 marks)
  - III. Differentiate between a movement along the supply curve and a shift of the supply curve with the aid of diagrams. (5 marks)
- c) Discuss the causes and remedies of unemployment in Kenya (10 marks)
- 2(a) Using an illustration discuss the simple circular flow of income (6 marks)
- b) Giving relevant examples explain the exemptions to the law of demand (8 marks)

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- c) Highlight the causes of cost push inflation in an economy (6 marks)
- 3a) Using a suitable diagram explain the concept of production possibility frontier (PPF). (7 marks)
- b) Per Capita income is not a good measure of national well-being of people in an economy. Discuss. (7 marks)
- c)) According to Keynes there are three motives for holding money. Discuss. (6 marks)
- 4 a) Explain the approaches to the measurement of national income (6 marks)
- b) Clearly discuss the basic functions of money (8 marks)
- c) Highlight the determinants of demand and supply (6 marks)
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