

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF CERTIFICATE IN BUSINESS**

**MANAGEMENT**

**CIBM 00121: INTRODUCTION TO ECONOMICS**

**STREAMS:**

**TIME: 2 HOURS**

**DAY/DATE: WEDNESDAY 31/3/2021**

**11.30 AM – 1.30 PM**

---

**INSTRUCTIONS:**

- Answer Question **ONE** and any other **TWO**.
- Do not write anything on the question paper

1.a) Distinguish the following terms as used in economics;

- (i) Leakages and injections
- (ii) Microeconomics and Macroeconomics
- (iii) Giffen goods and Veblen goods
- (iv) Inflation and deflation
- (v) Scarcity and opportunity cost

[10 Marks]

(b) An individual's aggregate demand for money is based in a decision that considers the three motives. Explain the three motives for holding money according to Keynes.

[6 Marks]

(c) With the aid of a well labeled diagram, discuss the simple circular flow of income in an economy.

[6 Marks]

(d) Given the following functions:

$$Q_1 = -7 + 32P$$

$$Q_2 = 749 - 31P$$

- (i) Identify the demand and supply functions giving reasons for each. [2 Marks]
- (ii) Compute equilibrium market price and quantity. [4 Marks]
- (iii) Represent the above results in (ii) in the diagram. [2 Marks]

**QUESTION TWO**

- a) Explain the causes and remedies for curing unemployment which has become more rampant in the developing countries like Kenya. [10 Marks]
- b) Discuss the exceptions of the law of demand. [10 Marks]

**QUESTION THREE**

- (a) Per capita income is not a good measure of national well-being of people in an economy. Discuss. [10 Marks]
- (b) Using a well labeled diagram, discuss the concept of scarcity and opportunity cost.[6 Marks]
- c) With the aid of diagram, differentiate between movement along demand curve and shift of demand curve. [4 Marks]

**QUESTION FOUR**

- a) Discuss the approaches to measurement of national income. [6 Marks]
  - b) Explain the basic functions of Mancy. [8 Marks]
  - c) Highlight the causes of cost-push inflation in an economy. [6 Marks]
- .....