CHUKA   **UNIVERSITY**

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF F
CERTIFICATE IN BUSINESS MANAGEMENT

CIBM 00121: ECONOMICS

STREAMS: CIBM   **TIME: 2 HOURS**

DAY/DATE: FRIDAY 09/08/2019   **8.30 AM – 10.30 AM**

INSTRUCTIONS:

- **Answer Question One and any other Two**
- **Do not write on the question paper**

QUESTION ONE

(a) Differentiate the following concepts as used in economics

       (i)   Scarcity and choice
       (ii)   Microeconomics and macroeconomics
       (iii)   Gross Domestic Product and Gross National Product
       (iv)   Movement along demand curve and shift of demand curve.   [8 marks]

(b) Given the following functions

$$Q = -4P + 10$$
$$Q = 6P + 10$$

Determine the equilibrium market price and quantity.   [4 marks]

(c) Using an appropriate diagram, describe the circular flow of income of 2-sector economy.   [6 marks]

(d) Describe the factors that determine the size of an economy's national income.   [8 marks]

(e) Discuss the determinants of supply.   [4 marks]

QUESTION TWO

(a)   clearly discuss three approaches used to measure national income.   [6 marks]

(b)   Explain three forms of inflation.   [6 marks]

(c)   Highlight the policies that the government of Kenya can adopt to curb the problem of unemployment.   [8 marks]

QUESTION THREE

(a)   According to Keynes, there are three motives for holding money. Discuss. [6 marks]

(b)   Explain why per-capita is not a good measure of material well-being of people.
        [8 marks]

(c)   Discuss the causes of cost-push inflation.   [6 marks]

QUESTION FOUR

(a)   Explain the difficulties experienced in measuring national income.   [10 marks]

(b)   Discuss the types of unemployment.   [10 marks]