

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

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

**CIBM 00121: INTRODUCTION TO ECONOMICS**

**STREAMS: CIBM**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 03/12/2019**

**11.30 AM – 1.30 PM**

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**INSTRUCTIONS:**

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

**QUESTION ONE**

- (a) Distinguish between the following term
- (i) Demand and supply
  - (ii) Scarcity and opportunity cost
  - (iii) Microeconomics and macroeconomics
  - (iv) Gross Domestic Product and Gross National Product. [8 marks]
- (b) Given the following function
- $$Q_1 = 15 + 2P$$
- $$Q_2 = 45 - 4P$$
- (i) Identify the demand and supply functions giving the reasons for each. [2 marks]
  - (ii) Compute the equilibrium price and quantity [4 marks]
- (c) Discuss the effects of inflation in an economy. [5 marks]
- (d) Describe the circular flow of two-sector economy using an appropriate diagram. [5 marks]
- (e) Discuss the motives of holding money according to Keynes. [6 marks]

**QUESTION TWO**

- (a) Highlight the exemptions to the law of demand. [10 marks]
- (b) Discuss the approaches used to measure national income. [6 marks]
- (c) Differentiate between movement along supply curve and shift of supply curve using an appropriate diagram. [4 marks]

**QUESTION THREE**

- (a) Discuss the policies that an economy can use to curb unemployment. [10 marks]
- (b) Explain the difficulties experienced in measuring national income. [10 marks]

**QUESTION FOUR**

- (a) Explain the determinants of demand. [6 marks]
  - (b) Highlight the properties of money. [6 marks]
  - (c) Using a well labelled diagram, discuss the concept of scarcity and opportunity cost. [8 marks]
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