

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA, EMBU, IGEMBE & THARAKA

EXAMINATION FOR THE AWARD OF CERTIFICATE IN BUSINESS
MANAGEMENT & CERTIFICATE IN PROCURMENT AND SUPPLIES
MANAGEMENT

CIBM 00121: ECONOMICS

STREAMS: CIBM

TIME: 2 HOURS

DAY/DATE: TUESDAY 05/12/2017

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

1. (a) Define the term economics and briefly explain the two branches of economics. [6 marks]
- (b) Distinguish the following pair of terms as used in economics (use a diagram where necessary). [4 marks]
 - (i) Scarcity and opportunity cost
 - (ii) Budget line and indifference curve
- (c) Highlight the exceptions to the law of demand. [4 marks]
- (d) Given the quantity demanded and supplied is as follows
 $Q_d = 3550 - 266P$
 $Q_s = 1526 + 240P$
 - (i) Determine the equilibrium price and quantity. [4 marks]
 - (ii) Draw a diagram illustrating the equilibrium price and quantity for (i) above. [4 marks]
 - (iii) What would happen if the price was set below the equilibrium price? [2 marks]
- (e) Identify the factors that determine the quantity demanded. [6 marks]

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2. (a) Unemployment has become a major bother to the developing economies like that of Kenya today. What policies would you advise the government to put in place in order to cure unemployment. [10 marks]
- (b) (i) Discuss any two types of unemployment. [4 marks]
- (ii) Discuss three approaches to measurement of national income.[6 marks]
3. (a) (i) List 4 properties of money as a medium of exchange. [4 marks]
- (ii) Explain 3 motives why people hold money. [6 marks]
- (b) (i) Distinguish between demand pull and cost push inflation. [4 marks]
- (ii) Briefly discuss two effects of inflation. [4 marks]
- (iv) Differentiate between inflation and deflation. [2 marks]
4. (a) (i) Describe the characteristics of a perfectly competition market structure. [6 marks]
- (ii) Explain the two sources of monopoly power. [4 marks]
- (b) Using a diagram, explain the three stages of production and identify which stage is best for production. [10 marks]
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