CHUKA   **UNIVERSITY**

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF CERTIFICATE IN BUSINESS MANAGEMENT

CIBM 00121: INTRODUCTION TO ECONOMICS

STREAMS: **TIME: 2 HOURS**

DAY/DATE: TUESDAY 07/08/2018   **8.30 A.M. – 10.30 A.M.**

INSTRUCTIONS:
- **Answer questions ONE and any other TWO.**

QUESTION ONE

(a) Giving examples, distinguish between microeconomics and macroeconomics. (3 marks)

(b) Given the following equation;

$$Q_d = 58 - 3P \quad \text{Demand function}$$

$$Q_s = 30 + 4P \quad \text{Supply function}$$

Determine;
(i)   The equilibrium price and equilibrium quantity.   (4 marks)

(ii) Discuss the factors influencing the quantity demanded.   (6 marks)

(c) Differentiate between opportunity cost and scarcity.   (2 marks)

(d) Consider the following cost function
Total Average Cost (TAC) = 200 + 3Q

Determine
(i)   Total cost   (2 marks)
(ii) Fixed cost   (2 marks)
(iii) Variable cost   (2 marks)

(iv)   Marginal cost   (2 marks)

(e)   Discuss any 5 types of unemployment.   (10 marks)

QUESTION TWO

(a)   Clearly explain the approaches used to measure national income.   (8 marks)

(b)   With the aid of a well labeled diagram, explain the simple circular flow of income.
    (8 marks)

(c)   Differentiate between giffen goods and Veblen goods   (4 marks)

QUESTION THREE

(a)   Explain how the following factors affect the quantity supplied

    (i)   Income of the consumer   (4 marks)
    (ii)   Taxation policies of the government   (4 marks)
    (iii)   Price of the competing product   (4 marks)

(b)   Discuss four basic functions of money.   (8 marks)

QUESTION FOUR

(a)   Highlight the importance of Macroeconomics.   (4 marks)

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

(c)   Discuss 3 forms of inflation.   (3 marks)