

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**CHUKA, EMBU AND ISEMBE CAMPUSES**

**EXAMINATION FOR THE AWARD OF CERTIFICATE IN PROCUREMENT AND LOGISTICS MANAGEMENT**

**CIBM 00121: INTRODUCTION TO ECONOMICS**

**STREAMS:**

**TIME: 2 HOURS**

**DAY/DATE: WEDNESDAY 18/04/2018**

**11.30 A.M. – 1.30 P.M.**

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**INSTRUCTIONS:**

- **Answer question ONE and any other TWO questions.**

**QUESTION 1**

1. (a) Differentiate the following concepts as used in economics
  - (i) Scarcity and choice. (3 marks)
  - (ii) Microeconomics and macroeconomics. (3 marks)
  - (iii) Movement along and shift of demand curve. (3 marks)
  - (iv) Gross Domestic Product and Gross National Product. (3 marks)
- (b) Given the demand function  $Q_d=3550-266P$  and supply function  $Q_s=1526 + 240P$  Determine the equilibrium market price and quantity.
- (c) Using a diagram describe a two sector circular flow of income. (4 marks)
- (d) Per capita income is not a good measure of material wellbeing of the citizens. Explain this statement. (10 marks)

**QUESTION 2**

- (i) Explain 5 types of unemployment. (10 marks)
- (ii) Explain policies that the government of Kenya could adopt to cure problem of unemployment. (10 marks)

**QUESTION 3**

- (i) With the aid of diagrams, distinguish between cost push inflation and demand pull inflation giving the causes for each. (10 marks)
- (ii) Explain 5 effects of inflation. (10 marks)

**QUESTION 4**

- (i) Explain the difficulties experienced in measuring National Income. (10 marks)
  - (ii) Clearly describe the factors that determine the size of an economy's National Income. (10 marks)
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