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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2016/2017 ACADEMIC YEAR
CERTIFICATE IN BUSINESS MANAGEMENT**

CBM 004 - INTRODUCTION TO ECONOMICS

Date: 9th August, 2016.
Time: 12.00pm – 2.00pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) With examples distinguish between;
- i) “Economics” and “Economy ” (4 Marks)
 - ii) Highlight three economic agents/entities that constitute an economy. (3 Marks)
 - iii) Outline the objectives that the economic agents you have named in i) seek to achieve in an economy. (3 Marks)
 - iv) State one role played by each of the economic agent named in a i) above in an economy (3 Marks)
- b) Factors of production are very important in the process of production. State the factor payments/earning to the following factors of production;
- i) Capital
 - ii) Labor
 - iii) Land
 - iv) Entrepreneurship
 - v) Technology

(5 Marks)

- c) Indicate using whether the following statements are **TRUE** or **FALSE**. Give reasons to support your answer;
- i) Increase in the demand of a commodity will make the producers of that commodity to supply more it.
 - ii) Printing more money by the central bank is good policy measure to finance a shortage in the budget.
 - iii) The rich citizens should be taxed more than the poor citizens
 - iv) Firms which have monopoly powers increase the social welfare of the consumers (8 Marks)
- d) Define what an “industry” is and State four Market structures. (4 Marks)

QUESTION TWO (20 MARKS)

- a) Define what is meant by perfect competitive market. (3 Marks)
- b) Highlight and explain any four characteristics of a perfect/pure competitive market (8 Marks)
- c) Briefly discuss three economic systems/forms applied by different world economics. (9 Marks)

QUESTION THREE (20 MARKS)

- a) Distinguish between;
 - i) Microeconomics and Macroeconomics. (4 Marks)
 - ii) Personal income and disposable income. (4 Marks)
- b)
 - i) State the Law of demand and the law of supply. (4 Marks)
 - ii) Demonstrate the law of demand and the law of supply on a diagram and show the equilibrium price and equilibrium quantity. (4 Marks)
- c) Briefly explain with a relevant example the concept of opportunity cost. (4 Marks)

QUESTION FOUR (20 MARKS)

- a) Distinguish between “a need” and “a want” as applied in economics. (2 Marks)
- b) Explain various factors that influence the amount of commodity demanded in a market. (10 Marks)
- c) Using relevant examples explain Four roles of the government in an economy (8 Marks)

QUESTION FIVE (20 MARKS)

- a) State four concerns of macroeconomics. (4 Marks)
- b) State four functions of money. (4 Marks)
- c) In our own thinking why do think some economies are more developed than others for example the European economies are more developed than African economies. Why? **HINT** discuss social, political and economic factors. (12 Marks)