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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2017/2018 ACADEMIC YEAR
DIPLOMA IN BUSINESS INFORMATION TECHNOLOGY**

DBT 028 – FUNDAMENTALS OF ECONOMICS

Date: 6th April 2017
Time: 12:00pm-2:00pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Differentiate between the following concepts as used in economics.
- i) Distinguish between economic growth and economic development. (4 Mark)
 - ii) Movement along a demand curve and a shift of the demand curve using clear diagram (4 Marks)
 - iii) Positive science and normative science (4 Marks)
- b) There are various types of cost that a producer incur in the process of producing goods and services explain 5 such costs. (5 Marks)
- c) Define economics as per Samuelson definition (2 Marks)
- d) Explain the determinants of elasticity of supply (4 Marks)
- e) Outline 7 characteristics of a perfect market (7 Marks)

QUESTION TWO (20 MARKS)

- a) The quantity demanded of good X is 1230 units when its price is kshs 52 per unit, two goods Y and Z are related to good X, when the price of good Y increases from kshs 45 per unit to ksh 60 per unit, the quantity demanded of good X increases to 1500 units when the price of good Z decreases from kshs 50 per unit to kshs 38 per unit the quantity demanded of good X increases to 2000 units calculate the cross elasticity of these goods and comment on the answer you get. (10 Marks)
- b) differentiate between direct cost and indirect cost giving examples (4 Marks)
- c) Explain the 3 types of economic systems. (6 Marks)

QUESTION THREE (20 MARKS)

- a) Explain the three economic problems every nation is facing. (6 Marks)
- b) Economics is regarded as science if only it has some features. Discuss 4 features of economics as a science. (8 Marks)
- c) Economics knowledge is applied in various areas and sectors of a country. Discuss 6 such areas and clearly show how economics is applied. (6 Marks)

QUESTION FOUR (20 MARKS)

- a) There are two major sectors that help in running a country's economy. Draw and explain how incomes, expenditure and product flow between the two sectors of the economy. (10 Marks)
- b) Describe 5 sources of monopoly power. (10 Marks)

QUESTION FIVE (20 MARKS)

- a) The developing economies are faced by many challenges. State and explain 5 major such challenges that every developing economy is facing today. (10Marks)
- b) Outline four merits of inductive method. (6 Marks)
- c) Explain the following concepts as use in economics.
- i. Scarcity
 - ii. Alternative uses
 - iii. Human wants
 - iv. Choice

(4 Marks)