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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: 31st July, 2017

Time: 9:00am-11:00am

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Describe the concepts of scarcity, choice and opportunity cost as used in economics (6 Marks)
- b) Given the following;
Demand function: $Q_d = 3550 - 266p$
Supply function: $Q_s = 1526 + 240p$
Required: determine the equilibrium market price and quantity. (4marks)
- c) i) Explain the factors that affect the quantity demanded of a product (8marks)
ii) Define the Law of Demand as Per Alfred Marshall definition (2marks)
iii) Distinguish the concept of movement along the demand and supply curve and shift of the demand and supply curve with the help of diagram (10marks)

QUESTION TWO (20 MARKS)

- a) Define the following terms as used in national income
- i) Concept of National Income (2 Marks)
ii) Gross Domestic Product (2 Marks)
iii) Gross National Product (2 Marks)
iv) Net National Product (2 Marks)
- b) Outline the factors that influencing the size of national income of a country. (6 Marks)
- c) Explainsome of the difficulties in measuring national income (6 Marks)

QUESTION THREE (20 MARKS)

- a) Briefly discuss the theoretical relationship between money supply and Inflation. (6 Marks)
- b) Explain the Measures a country can use to control inflation (6 Marks)
- c) Describe the various causes of inflation in a country (8 Marks)

QUESTION FOUR (20 MARKS)

- a) Define a market and explain the essentials of a market. (8 Marks)
- b) Describe four market structures models, giving features of each market (12 Marks)

QUESTION FIVE (20 MARKS)

- a) Define the following terms;
 - i) Substitute goods (2marks)
 - ii) Complimentary goods (2marks)
 - iii) Giffen goods (2marks)
 - iv) Veblen goods (2marks)
 - v) Equilibrium (2marks)
- b) “Unemployment is one of the major economic problems facing most developing countries”. Explain the major causes and suggest some possible economic policies that these countries could adopt and implement in order to reduce it. (10marks)