



GARISSA UNIVERSITY

UNIVERSITY EXAMINATION **2017/2018** ACADEMIC YEAR **ONE** **SECOND** SEMESTER EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DBM 003

COURSE TITLE: INTRODUCTION TO ECONOMICS

EXAMINATION DURATION: 3 HOURS

DATE: 12/04/18

TIME: 09.00-12.00 PM

INSTRUCTION TO CANDIDATES

- **The examination has SIX (6) questions**
- **Question ONE (1) is COMPULSORY**
- **Choose any other THREE (3) questions from the remaining FIVE (5) questions**
- **Use sketch diagrams to illustrate your answer whenever necessary**
- **Do not carry mobile phones or any other written materials in examination room**
- **Do not write on this paper**

This paper consists of TWO (2) printed pages

please turn over



QUESTION ONE (COMPULSORY)

- (a) Define the following terms as used in economics
 - i. Scarcity [2 Marks]
 - ii. Choice [2 Marks]
 - iii. Demand curve [2 Marks]
- (b) Differentiate between microeconomics and macroeconomics [4 Marks]
- (c) Explain the theory of demand [3 Marks]
- (d) Explain the law of demand [2 Marks]
- (e) Assess the factors affecting supply [10 Marks]

QUESTION TWO

- (a) Distinguish between movement along the demand curve and a shift of demand curve. [8 Marks]
- (b) Using a well labeled diagram explain how market price is determined in a perfect Competitive market [7 Marks]

QUESTION THREE

- (a) Following a price increase of bananas from Ksh. 5 to Ksh. 8, the Quantity demanded for bananas decreased from 35 to 30 per week. Calculate the price elasticity of demand using the percentage method [5 Marks]
- (b) Define production and explain its importance [10 Marks]

QUESTION FOUR

- (a) Define supply [3 Marks]
- (b) With the help of a supply schedule and supply curve explain the law of supply [3 Marks]
- (c) State the properties of indifference curves [5 Marks]

QUESTION FIVE

- (a) Given quantity demanded is $90 - 2p$ (demand curve), quantity supplied $6 + 4p$ (supply curve). Calculate the equilibrium price, quantity demanded and supplied. (Solve Mathematically) [4 Marks]
- (b) State any FIVE disadvantages of a free market economy [5 Marks]
- (c) Define any THREE factors of production and state their rewards. [6 Marks]

QUESTION SIX

- (a) State any FIVE features of free Market Economy [5 Marks]
- (b) State and explain FIVE determinants of the level of National Income [10 Marks]

