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Knowledge for Development

**KIBABII UNIVERSITY
(KIBU)**

**UNIVERSITY MAIN EXAMINATIONS
2020/2021 ACADEMIC YEAR**

**END OF SEMESTER EXAMINATIONS
YEAR ONE SEMESTER TWO EXAMINATIONS**

**FOR THE DIPLOMA IN
(INFORMATION TECHNOLOGY)**

COURSE CODE: DIT 064

COURSE TITLE: PRINCIPLES OF ECONOMICS

DATE: 22/06/2021 TIME: 2.00 P.M. – 4.00 P.M.

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTIONS ONE AND ANY OTHER TWO

TIME: 2 HOURS

QUESTION ONE (COMPULSORY) [24 MARKS]

- a. What factors influence the supply of a commodity in the market? [4 Marks]
- b. Distinguish between supply, demand and equilibrium. [3 Marks]
- c. More economies are currently opting for free market systems as opposed to controlled systems. Compare the two systems describing their respective advantages and disadvantages. [14 Marks]
- d. Examine the economic consequences for a country of engaging in a war with a neighbouring country. [3 Marks]

QUESTION TWO [18 MARKS]

- a. Present carefully the law of variable proportions. What key assumptions underline this law? Discuss fully three stages associated with this law. [12 Marks]
- b. Briefly explain the reasons why the study of economics is useful to individuals and firms. [6 Marks]

QUESTION THREE [18 MARKS]

- a. Highlight three factors that determine the demand for labour. [3 Marks]
- b. Describe the factors that limit the success of trade unions in a developing country. [8 Marks]
- c. Outline the importance of mobility of factors of production in an economy. [7 Marks]

QUESTION FOUR [18 MARKS]

- a. Define the term "collective bargaining." [2 Marks]
- b. Highlight factors that determine the demand for supply of labour. [6 Marks]
- c. Explain the general criticism of national income statistics. [10 Marks]

QUESTION FIVE [18 MARKS]

- a. Discuss the main functions of money. [8 Marks]
- b. Explain the main problems faced by agriculture in developing countries and policy recommendations to alleviate the problems. [10 Marks]