



(Knowledge for Development)

KIBABII UNIVERSITY

(KIBU)

**UNIVERSITY EXAMINATIONS
2019/2020 ACADEMIC YEAR**

**SPECIAL/SUPPLEMENTARY EXAMINATIONS
YEAR ONE SEMESTER ONE EXAMINATIONS**

**FOR THE DIPLOMA
INFORMATION TECHNOLOGY**

COURSE CODE : DIT 064

COURSE TITLE : PRINCIPLES OF ECONOMICS

DATE: 04/02/2021 TIME: 2.00 P.M – 4.00PM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTIONS ONE AND ANY OTHER TWO.

QUESTION ONE [24 MARKS]

- a. Define the term 'gross national product' [3 marks]
- b. Elaborate on any four technical advantages that may accrue to a firm as a result of producing on a large scale [8 marks]
- c. Define the term 'taxation' [3 marks]
- d. State any two types of market structures that you are familiar with. [2 marks]
- e. List the advantages that accrue to business owners who operate as private limited companies [8 marks]

QUESTION TWO [18 MARKS]

- a. List four characteristics of a perfectly competitive market [4 mark]
- b. Briefly explain the concept of scarcity [5 marks]
- c. Distinguish between primary and secondary factors of production [4 marks]
- d. Imagine that a friend has approached you for advice regarding which type of business unit he should operate. He has a pre-conceived idea that a sole proprietorship business is the best type of business unit. Explain to him the following;
 - i. Advantages of sole proprietorship business [3 marks]
 - ii. Disadvantages of sole proprietorship business [2 marks]

QUESTION THREE [18 MARKS]

- a. List six reasons why there is a high unemployment rate in Kenya [6 marks]
- b. Explain three advantages of division of labour in a firm setting [6 marks]
- c. List four reasons for the imposition of taxes by the government of Kenya [4 marks]
- d. What is the incidence of a tax? [2 marks]

QUESTION FOUR [18 MARKS]

- a. Discuss some of the strategies that can be used to narrow the current income gap in Kenya [7 marks]
- b. Define the term "Nationalization" [1 marks]

- c. List three characteristics of token money [3 marks]
- d. Summarize three disadvantages of indirect taxes [3 marks]
- e. Examine any two roles of commercial banks in Kenya [4 marks]

QUESTION FIVE [18 MARKS]

- a. What do you understand by the term 'economics?' [1 mark]
- b. List four advantages of indirect taxes [4 marks]
- c. Examine the central problems of an economy [7 marks]
- d. State six assumptions of the law of variable proportions [6 marks]