



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2019/2020 ACADEMIC YEAR

SPECIAL/SUPPLEMENTARY EXAMINATION

FOR DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DIB 103

COURSE TITLE: ELEMENTS OF ECONOMICS

DATE: 10TH FEBRUARY, 2021 TIME: 11.00AM – 1.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

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KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.

SECTION A (COMPULSORY)

QUESTION ONE

- a) i. Define the term “consumer sovereignty” (2 marks)
ii. Outline the limitations of consumer sovereignty. (8 marks)
- b.) Outline the advantages of a planned system in an economy (10 marks.)
- c.) State and explain factors that determine the price elasticity of supply. (6 marks)
- d.) Explain any two types of inflation and indicate clearly what the causes of each are. (4 marks)

SECTION B

QUESTION TWO

- a) With clear definition of “balance of payment” explain the major balances as outlined in balance of payments. (10 marks)
- b) What are the disadvantages of division of labour and specialization? (10 marks)

QUESTION THREE

- a) The Kenya Power Suppliers Company Ltd is the sole supplier of electricity in Kenya. This commodity is purchased by two separate consumers namely. Commercial users and domestic users, to whom the company is able to charge different prices or tariffs. Economists consider this as being monopolistic. Clearly state and explain FIVE sources of monopoly power. (10 marks).
- b) Explain FIVE factors that determine the exchange rates of a country. (10 marks.)

QUESTION FOUR.

- a) Explain FIVE main characteristics of free market economy. (10 marks)
- b) Mumias sugar Company Limited has been facing various challenges and hence the sugar supply in the markets has greatly reduce. Outline reasons that might have occasioned the same. (10 marks)

QUESTION FIVE

- a) Define the term unemployment and explain some of the factors that bring about unemployment in Kenya today. (10 marks).
- b) i. State and explain TWO types of elasticity of demand. (4 marks)
- ii. Describe the equilibrium under perfect completion. (6 marks)