



*(Knowledge for Development)*

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2021/2022 ACADEMIC YEAR**  
**MAIN EXAM**

**FOR THE DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DIB 103**

**COURSE TITLE: ELEMENTS OF ECONOMICS**

**DATE : 19<sup>TH</sup> MAY, 2022**

**TIME: 9.00AM – 11.00AM**

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**INSTRUCTIONS TO CANDIDATES**

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question **one** carries **30**marks and each of the other two questions carry **20** marks each.

TIME: 2 Hours

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KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.

## SECTION A

### QUESTION ONE

(a) Write short notes on the following concepts:

- (a) Scarcity and Choice (5marks)
- (b) Justify with Five points why price elasticity of demand is useful (10marks)
- (c) Highlight on the Misconceptions Concerning Monopoly Pricing (5marks)

(d) Elaborate by way of citing Five reasons why its important to study Economics (5marks)

(e) List and explain Five reasons demonstrating peculiarities of labour as a factor of production

(5marks)

(e) Elaborate by giving Five points why its important to study economics (10marks)  
**(Total 30 mrks)**

### Section B: Choose Any Two QUESTIONS

#### QUESTION TWO

(a) Define Elasticity of Supply and briefly explain any FIVE factors that influence this elasticity of supply (10marks)

(b) What are the Five features of an oligopoly market (5marks)

(c) Critically elaborate on the factors underlying success of trade unions (5marks)

**(Total 20 mrks)**

#### QUESTION THREE

(a) Give Five reasons why an employee should be affiliated to a trade union of his/her choice. (5marks)

(b) Complete the table and draw a diagram (15marks)

Numerical Example of the Law of Diminishing Returns

Capital Input	Labour Input	Total Output	Marginal Product	Average Product of Labour
20	1	5		
20	2	16		
20	3	30		
20	4	56		
20	5	85		
20	6	114		
20	7	140		
20	8	160		
20	9	171		
20	10	180		

Diminishing returns and marginal cost

(Total 20 mrks)

#### QUESTION FOUR

(a) Critically elaborate on Ten probable remedies that African countries can embrace to tackle the unemployment situation besides improve the health of the unemployed (10 marks)

(b) With the help of a diagram discuss the short run equilibrium of a firm under monopolistic competition (10marks)

(Total 20 mrks)

**QUESTION FIVE**

a) with the aid of a diagram write briefly on pure monopoly(10 marks)

b) Define the term Exchange rate (2marks)

write brief notes on the following

- i) Fixed exchange rate (2marks)
- ii) Flexible Exchange rate (2marks)
- iii) Forward rate (2marks)
- iv) Spot rate (2marks)

**(Total 20 marks)**

