



*(KNOWLEDGE FOR DEVELOPMENT)*

**KIBABII UNIVERSITY  
(KIBU)**

**UNIVERSITY EXAMINATIONS  
2017/2018 ACADEMIC YEAR**

**SUPPLEMENTARY/SPECIAL EXAMINATION  
FIRST YEAR SECOND SEMESTER  
FOR THE DIPLOMA IN INFORMATION**

**TECHNOLOGY**

**COURSE CODE: DIT 064**

**COURSE TITLE: PRINCIPLES OF ECONOMICS**

**DATE: 19/10/2018 TIME: 11.30A.M – 1.300P.M.**

**INSTRUCTIONS**

**ANSWER QUESTIONS ONE AND ANY OTHER TWO.**

**QUESTION ONE [24 MARKS]**

- a. Name the two main branches of Economics [2 marks]
- b. Distinguish between Fiscal policy and Monetary policy [4 marks]
- c. What are the benefits of studying economics to an IT student? [4 marks]
- d. Identify FIVE reasons why the Government Intervenes in the Economy [5 marks]
- e. Explain FIVE disadvantages of division of labour. [5 marks]
- f. The demand for a product can be considered from the standpoint of either individual demand or market demand. Outline FOUR factors affecting individual demand. [4 marks]

**QUESTION TWO [18 MARKS]**

- a. Define the term 'Specialization' [2 marks]
- b. Explain Four disadvantages of specialization [8 marks]
- c. Using appropriate examples, explain four objectives of Macro-economic policy [8 marks]

**QUESTION THREE [18 MARKS]**

- a. Many developing countries are currently faced with an ever increasing external debt. Clearly describe the possible causes of this indebtedness and the measures that could be taken by both the debtors and creditors in reducing the debt burden. [8 marks]
- b. Exermine Five advantages of international trade to the Kenyan Economy [10 marks]

**QUESTION FOUR [18 MARKS]**

- a. Define Supply and Identify FOUR determinants of supply of a given product [10 marks]
- b. With the aid of a diagram, illustrate the Concept of Equilibrium in Economics [8 marks]

**QUESTION FIVE [18 MARKS]**

- a. You are given two functions; the demand function and the supply function as follows:  
Demand function  $Q_d = 3550 - 266p$  Supply function  $Q_s = 1526 + 240p$   
**Required:**  
Determine the equilibrium market price and quantity. [5 marks]
- b. List and Discuss the three major types of equilibrium in economics [9 marks]
- c. What are the effects of Government price controls to the economy [4 marks]