



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR
FIRST YEAR FIRST SEMESTER
MAIN EXAM

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DIB 103

COURSE TITLE: ELEMENTS OF ECONOMICS

DATE: 28TH JANUARY, 2022 TIME: 9.00 - 11.00AM

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

KIBU observes ZERO tolerance to examination cheating

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

SECTION A

QUESTION ONE

Write short notes on the following fundamental concepts:

- a) Scarcity and Choice (5 marks)
- b) Opportunity cost (5 marks)
- c) Production possibility frontier (5 marks)
- d) Positive and normative economics (5 marks)
- e) Define elasticity of supply and briefly explain any five factors that influence the elasticity of supply. (10 Marks)

(Total: 30 marks)

SECTION B

QUESTION TWO

- a) Using specific examples, explain 'Ceteris Paribus' as used in economic (6 marks)
- b) i) Why is the consumer said to be sovereign (4 marks)
- ii) What factors limit this sovereignty? (10 marks)

(Total: 20 marks)

QUESTION THREE

- a) Clearly explain the distinction between supply, demand and equilibrium price. (8 marks)
- b) State and briefly explain any four main factors that may cause a fall in the supply of a good in the market. (4 marks)
- c) The table below shows the demand and supply schedules for a product.

Price (Sh. Kg.)	Per	Demand (Kg)	Supply (Kg.)
10		100	20
20		85	36
30		70	53
40		55	70
50		40	87
60		25	103
70		10	120

Required:

Plot the demand and supply curves and determine the equilibrium price and quantity (8 marks)
(Total: 20 marks)

QUESTION FOUR

- a) i. Give the meaning of the term ' Price Control' (2marks)
- ii. Explain the circumstances under which price control is considered necessary.(4 marks)
- b) i. With the aid of well-labeled diagrams, distinguish between price floors and price ceilings. (6 marks)
- ii. What are the major consequences of each of the price control measures? (8 marks)

(Total: 20 marks)

QUESTION FIVE

- a) Distinguish between own-price elasticity of demand and cross- elasticity of demand (10 marks)
- b) Briefly discuss the factors which affect the own price elasticity of demand (4 marks)
- c) Discuss the usefulness of these parameters in management and economic policy decision-making. (6 marks)

(Total: 20 marks)