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**KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR**  
**FIRST YEAR, FIRST SEMESTER EXAMINATION**  
**FOR THE DIPLOMA IN PROCUREMENT & SUPPLIES**  
**MANAGEMENT**  
**DBA 1102: ECONOMICS**

Date: 18<sup>TH</sup> April, 2024  
Time: 8.30AM-10.30AM

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

- a) According to Robbins, 'Economics is a science of choice making, and if economic resources were unlimited, people would be able to satisfy all their wants and there would be no economic problem'. Describe any three economic problems that arise out of the limited nature of economic resources. **(6 Marks)**
- b) State the role of each of the following economic units in the circular flow of income model:
- i. Households **(2 Marks)**
  - ii. Firms **(2 Marks)**
- c) Explain the significance of financial institutions in an economy. **(6 Marks)**
- d) Examine the causes of unemployment, considering both macroeconomic and microeconomic factors. **(6 Marks)**
- e) Distinguish between the following economics concepts;
- i. Movement along and a shift of the supply curve **(2 Marks)**
  - ii. Demand schedule and supply curve **(2 Marks)**
- f) Based on their characteristics, distinguish between a 'centrally planned economic system' and a 'free enterprise economic system'. **(4 Marks)**

**QUESTION TWO (20 MARKS)**

- a) Explain any three principles/concepts of economics that form the basis for decision making and consideration for a particular choice by an individual, businesses and firms. **(6 Marks)**
- b) With relevant examples, discuss the implications of different causes of inflation on the overall economy. **(8 Marks)**
- c) Describe any three attributes that will make any asset to be accepted as a medium of exchange. **(6 Marks)**

**QUESTION THREE (20 MARKS)**

- a) Explain the determinants of elasticity of supply for a product. **(8 Marks)**
- b) Outline three differences between monopoly market structure and perfect competition. **(6 Marks)**
- c) Describe the different methods of measuring national income. Use equations where necessary. **(6 Marks)**

**QUESTION FOUR (20 MARKS)**

- a) State four assumptions of the ‘Law of variable proportions’ and illustrate how it can be used to explain the three levels of production. **(8 Marks)**
- b) Explain how price is determined in the various market structures; pure competition, monopolistic competitive, monopoly, and oligopoly. **(4 Marks)**
- c) Given the following demand and supply equations;
- $$Q_d = 200 - 2P$$
- $$Q_s = 50 + 3P$$
- i. Calculate the equilibrium price and equilibrium quantity demanded and supplied. **(4 Marks)**
- ii. Plot your answers in (i) above on a well labelled diagram. **(4 Marks)**

**QUESTION FIVE (20 MARKS)**

- a) Using the information given in the table below, calculate the Total Cost, Marginal Cost, Average Total Cost and Average Variable cost; **(8 Marks)**

<b>Labour</b>	<b>Total Quantity of Output</b>	<b>Fixed Cost</b>	<b>Variable Cost</b>	<b>Total Cost</b>	<b>Marginal Cost</b>	<b>Average Total Cost</b>	<b>Average Variable Cost</b>
1	16	180	80	-	-	-	-
2	40	180	180	-	-	-	-
3	60	180	240	-	-	-	-
4	72	180	320	-	-	-	-

- b) Explain how each of the following will affect the quantity supplied for commodity X.
- i. Inefficient new technology **(2 Marks)**
- ii. Favourable climatic conditions **(2 Marks)**
- iii. High price of an imported competing product to commodity X **(2 Marks)**
- iv. Government subsidy provision towards production of commodity X **(2 Marks)**
- c) Explain any two motives of money demand in the economy. **(4 Marks)**