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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
SECOND YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF EDUCATION(ARTS)
KFI 2201:BUSINESS ECONOMICS

Date: 12th April 2024
Time: 11:30am-1.30Pm

INSTRUCTIONS TO CANDIDATES:

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

Tech Innovators Ltd. (TIL) is a leading technology company that designs and manufactures computers. The company operates globally and has a strong presence in both developed and emerging markets. TIL prides itself on innovation and cutting-edge technology, offering a wide range of computer models to cater to different consumer segments. The market for the computers has increased globally due to working online. Further, the company supply both local international organizations including Universities, Hospitals and other companies

- a) Suppose you have been given an assignment by your mathematics Professor and he has instructed that the assignment must be done using Lenovo Ipad. Illustrate and explain what happens to equilibrium market price and quantity demanded for the Ipad from TIL company (6 marks)
- b) The management has taken an initiative to implement housing levy on all employees in company. Illustrate and evaluate the impact of the initiative on employment and level of demand for the computers (4 marks)
- c) The total cost equation in the production of computers in TIL company is given as follows $TC = 1000 + 100Q + 15Q^2 + Q^3$, determine;
 - i) Total Fixed cost (1 mark)
 - ii) Total variable cost when 10 computers are manufactured (2 marks)
 - iii) Marginal cost of manufacturing 20 computers (4 marks)
- d) Kenya is currently faced with youth unemployment resulting to socio-economic problems. As a business economics student, elaborate on the socio-economic problems (8 marks)
- e) The Ministry of education is preoccupied with per-capita income level of their teachers, discuss why per-capita income is not a good measure of teachers welfare (6 marks)

QUESTION TWO (20 MARKS)

- a) The demand, supply and total cost function for a commodity P are expressed as follows
 $Q = 80 - 2P$
 $Q = -40 + 3P$
 $TC = 2Q^2 - 300$

Required:
Determine

- i) Identify the supply and demand functions and give a reason (2 marks)

- ii) The equilibrium price and quantity of the commodity (2 marks)
 - iii) Total revenue generated from the sale of commodity P (2 marks)
 - iv) Total profit realized and quantity of P that maximizes the profit of the firm (4 marks)
- b) The level of consumption in the economy has been found to decline during the better part of the year, discuss some of the factors that have led to this scenario (10 marks)

QUESTION THREE (20 MARKS)

- a) Given the following information, use it to answer the questions that follow;

| Items | Amount (KSHS. millions) |
|---|--------------------------------|
| Gross National Product (at market prices) = | 389.2 |
| Depreciation Allowances | 47.0 |
| Indirect tax less subsidies | 42.4 |
| Business taxes | 11.4 |
| Personal income taxes | 66.3 |
| Government transfers | 59.3 |
| Retained Profits | 13.0 |
| Population | 10 million |

Calculate;

- i) Net National Product (NNP) at market price (2 marks)
 - ii) Net national income at factor cost (2 marks)
 - iii) Per capita income (2 marks)
 - iv) Personal income (2 marks)
 - v) Disposable income (2 marks)
- b) The recent activities by the government in the agricultural sector has bear fruits by increasing output resulting to an increase in supply of output in the market. Illustrate and discussion factors leading to this bumper output (10 marks)

QUESTION FOUR (20 MARKS)

- a) Using a well labelled diagrams show the following effects. Make sure to indicate whether there will be a movement along either demand or supply curves or a shift in demand or supply curves. Explain your answers and be precise
- i. The government of Kenya has provided funds to the Agricultural Finance Corporation to subsidize the cost of fertilizer used in maize farming (4 marks)
 - ii. The decrease in Pay as You Earn (PAYE) on food consumption by households in Kenya due to increase taxation by the government (4 marks)
 - iii. Sweet potatoes have been used in Kenya overtime in place of bread for breakfast. Recently the price of bread has gone up due to increase in taxation (4 marks)
- b) Money is widely used as a medium of exchange in most economies of the world. Explain feature that makes it to be call money (8 marks)

QUESTION FIVE (20 MARKS)

- a) Githurai is composed of various buyers and sellers. Basing your argument on market structures, differentiate between perfect competitive and monopoly market structures giving examples where necessary (10 marks)
- b) Kenya engages in trade with her neighbors yielding positive impacts in the economy. Elaborate advantages of Kenya engaging in international trade (10 marks)