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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2016/2017 ACADEMIC YEAR**  
**DIPLOMA IN BUSINESS ADMINISTRATION**

**DBA 004 - INTRODUCTION TO ECONOMICS**

Date: 13<sup>th</sup> August, 2016.  
Time: 12.00pm – 2.00pm

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) Distinguish between price elasticity of demand and income elasticity of demand. (4 Marks)
- b) i) Define what is economies of scale. (2 Marks)  
ii) Briefly explain how economies of scale can lead to creation of monopoly powers. (3 Marks)
- c) Highlight two reasons why a demand curve is downward sloping. (4 Marks)
- d) Distinguish between;
- i) Gross Domestic Product (GDP) and Gross National product. (2 Marks)  
ii) Leakages and injections. (2 Marks)
- c) The production possibility for Mary is given in the table below;

Chair	Table
100	0
80	10
60	20
40	30
20	40
0	50

- i) Construct the production possibility frontier for Mary. (3 Marks)  
ii) What is the opportunity cost of producing an additional table? (2 Marks)

- e) The demand and supply functions for a firm are given below;

$$Q_d = 200 - 2P$$

$$Q_s = -20 + 2P$$

Determine the equilibrium price and equilibrium quantity for the firm.

(3 Marks)

- f) Highlight five difficulties that are encountered when estimating the GDP of a country.

(5 Marks)

### **QUESTION TWO (20 MARKS)**

- a) With reference to African economies discuss how a mixed economic system can be used to ensure there is equitable distribution of resources and sustainable development in Africa.

(8 Marks)

- b) Highlight and explain any four characteristics of a perfect/pure competitive market.

(7 Marks)

- c) What are the major concerns of Macroeconomics?

(5 Marks)

### **QUESTION THREE (20 MARKS)**

- a) With Aid of a well labeled diagram explain the concept of circular flow of income and show where the leakages and injections fall.

(8 Marks)

- b) What is meant by per capita income?

(2 Marks)

- c) You have collected on per capita income for country X and Y and you have discovered that country X's per capita income is five times that of country Y. Does your result indicate that the standard of living for country X is much higher than that of country Y? Explain your answer.

(3 Marks)

- d) Explain why the per capita income is not a good measure of human welfare in a country.

(7 Marks)

### **QUESTION FOUR (20 MARKS)**

- a) Distinguish between the following types of goods;

- i) Normal goods and Inferior goods.

(2 Marks)

- ii) Giffen goods and Veblen goods.

(2 Marks)

- iii) Public goods and Private goods.

(2 Marks)

- iv) Substitutes goods and Complementary goods.

(2 Marks)

- b) Define the concept of Supply and explain various factors that influence the amount of commodity Supplied in a market.

(6 Marks)

- c) Highlight and explain basic functions of money in an economy.

(6 Marks)

**QUESTION FIVE (20 MARKS)**

- a) Using relevant examples explain the economic role of the government. (8 Marks)
- b) Kenya Vision 2030, a development policy frame work is founded by three pillars that is the Social pillar, Economic pillar and the Political pillar. Discuss how these three pillars can be used to ensure that Kenya attains a double economic growth by the year 2030. (12 Marks)