



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2015/2016**

**FIRST YEAR FIRST SEMESTER EXAMINATIONS FOR THE DIPLOMA  
IN PURCHASING AND SUPPLIES**

**(CITY CAMPUS-EVENING)**

**ADE 0100: ECONOMICS**

**Date:** 4<sup>th</sup> December, 2015

**Time:** 5.30 – 7.30 pm

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**INSTRUCTIONS:**

- Answer question ONE and any other TWO questions.
- Question ONE carries 30 marks. Other questions carry 20 marks.



### QUESTION ONE

- a) Distinguish between micro and macro economics (4 marks)
- b) Distinguish between equilibrium and disequilibrium position (4 marks)
- c) Explain the various factors that affect demand and their interaction with the demand of a given commodity (12 marks)
- d) Explain the factors that affect/ determine price elasticity of demand of a given commodity (10 marks)

### QUESTION TWO

- a) In the production theory, there are three distinct stages. With a well labeled diagram, explain these three stages and the critical characteristics of each stage (12 marks)
- b) Explain the various factors than influences production of a given commodity (8marks)

### QUESTION THREE

- a) Money is defined by what it does. In light of this fact, explain the various functions of money (8 marks)
- b) Give the various functions of the central bank of Kenya (12 marks)

#### QUESTION FOUR

a) With a well labeled diagram, explain the effect of an upward shift of a demand curve on the market equilibrium? (8 marks)

b) With the aid of a well labeled diagram, explain the circular flow of income and enumerate the importance of the national income measurement

(12marks)





**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2015/2016**

**FIRST YEAR FIRST SEMESTER EXAMINATIONS FOR THE DIPLOMA  
IN BUSINESS ADMINISTRATION**

**(CITY CAMPUS-REGULAR)**

**ADE 0100: ECONOMICS**

**Date:** 4<sup>th</sup> December, 2015

**Time:** 2.00 – 4.00 pm

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**INSTRUCTIONS:**

- Answer question ONE and any other TWO questions.
- Question ONE carries 30 marks. Other questions carry 20 marks.



## QUESTION 1

- i. Discuss the nature and scope of economics. (4 marks)
- ii. Examine Marshall's definition of economics. (2 marks)
- iii. Distinguish between microeconomics and macroeconomics. (2 marks)
- iv. What is the role of economics in business studies? (5 marks)
- v. Distinguish between a demand schedule and a demand curve with illustrations. (4 marks)
- vi. Explain the three motives of holding money balances by households according to Keynes. (6 marks)
- vii. suppose the market supply and demand equations for dry maize in a given market are as follows:

$$p = 11 - \frac{1}{2}q \dots\dots\dots demand$$

$$p = 1 + \frac{1}{3}q \dots\dots\dots supply$$

Where p is the price in hundreds of kshs and q is the quantity of maize.

Find the equilibrium price and quantity of maize traded in the market.

(4 marks)

- viii. Define trade protection and discuss any two types of import protection.

(3 marks)

## QUESTION 2

- i. What is meant by balance of payments problem? (3 marks)
- ii. Discuss any six assumptions on which the theory of comparative advantage is based on. (6 marks)
- iii. What policies can governments employ to deal with the balance of payments problem? (6 marks)
- iv. Critically examine why countries enter into trade. (5 marks)

## QUESTION 3

- i. Differentiate between monetary and fiscal policies. (8 marks)
- ii. Discuss in details the factors that determine money supply in an economy of your own choice. (5 marks)
- iii. Discuss any seven instruments that CBK employs in implementing its monetary policy. (7 marks)

## QUESTION 4

- i. Discuss four components of Professor Lionel Robbins definition of economic science. (2 marks)
- ii. Explain with relevant diagrams, movement along and shift of demand curve and the determinants in each case. (8 marks)
- iii. The price of oranges is kshs 10 per kg and the quantity demanded is 120 kgs. Suppose the price rises to kshs 60 per kg and as a result the quantity demanded decrease to 80 kgs. Calculate and give the nature of the price elasticity of demand. (4 marks)

iv. Explain the determinants of supply of a good. (6 marks)

### QUESTION 5

i. Explain how the following terms are used in economics. (4 marks)

- a. Goods
- b. Wealth
- c. Scarcity
- d. Choice

ii. State any five characteristics of a perfectly competitive market.(5 marks)

iii. Explain the functions of money and its significance in the economy. (5 marks)

iv. List and briefly describe the factors of production. (6 marks)