



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2013/2014

SECOND YEAR FIRST SEMESTER EXAMINATIONS FOR THE
DEGREE OF BACHELOR OF ARTS IN INTERIOR DESIGN WITH
INFORMATION TECHNOLOGY
(MAIN CAMPUS)

ADI 203: PRINCIPLES OF ECONOMICS

Date: 18th November, 2013

Time: 11.00 a.m. - 1.00 p.m.

INSTRUCTIONS:

- This paper consists of **TWO** Sections, **A** and **B.**,
- Answer **ALL** questions from Section **A** in the answer booklet provided.
- Answer **ANY THREE** questions from Section **B** in the answer booklet provided. Each question carries **10** marks.

SECTION A- 40 marks

Answer **ALL** the questions from Section A in the answer booklet provided.

Q1. Define the following terms as used in Principles of Economics

- a) Individual income tax
- b) Descriptive economics
- c) Tariffs
- d) Conglomerate
- e) Foreign exchange rate
- f) Economics
- g) Trade deficit

(7 marks)

Q2. a) State the economic impact of taxes on,

- i) Behaviour change
- ii) Resource allocation

(6 marks)

b) List four (4) economic strengths of a sole proprietorship

(4 marks)

Q3. State seven (7) reasons that support the mobility of factors of production (7 marks)

Q4. Using an example in each case, briefly outline the following theories (6 marks)

- a) Behavioural theories
- b) Managerial theories

Q5. Elaborate on how the following factors create monopolistic power (6 marks)

- a) Economies of scale
- b) Transport cost
- c) Product differentiation

Q6. State the demand situation of the following commodities

- ° c) Giffen goods
- d) Veblen goods

(4 marks)

SECTION B- 30 marks

Answer any **Three** questions from this section. Each question carries 10 marks.

- Q7. Outline to a friend the economic strengths and weaknesses of Kenya Ceramic Tiles Corporation. (10 marks)
- Q8. "The study of Economics enables one to understand the society". Critically analyze the statement. (10 marks)
- Q9. Elaborate in detail the arguments for protection applied in international trade (10 marks)
- Q10. Economics asks and attempts to answer two kinds of questions. Discuss. (10 marks)
- Q11. Explain in detail the ideal conditions of an oligopoly market. (10 marks)