



# **KISII UNIVERSITY**

## **UNIVERSITY EXAMINATIONS**

### **FIRST YEAR EXAMINATION FOR THE AWARD OF CERTIFICATE IN HUMAN RESOURCE MANAGEMENT /BUSINESS ADMINISTRATION**

**FIRST SEMESTER 2023/2024  
[AUGUST-DECEMBER, 2023]**

**CIAF 0126/CBD 009: INTRODUCTION TO ECONOMICS**

**STREAM: Y1 S1**

**TIME: 2 HOURS**

**DAY: THURSDAY, 9.00 – 11.00 A.M.**

**DATE: 30/11/2023**

#### **INSTRUCTIONS**

***1. Do not write anything on this question paper.***

***2. Answer Questions ONE and any other THREE Question***

#### **QUESTION ONE (25 MARKS)**

- a) What is economics? (2 Marks)
- b) Distinguish Economic Goods from Free Goods (2 Marks)
- a) Explain the concept of production possibility frontier (2 Marks)
- c) Suppose that a society can spend money on two products, guns and butter. The society's resources are limited; therefore there are restrictions on the amount of guns and butter that can be made, which can be shown below

ALTERNATIVE PRODUCTION POSSIBILITIES		
POSSIBILITIES	BUTTER (Millions pounds)	GUNS of (Thousands )
A	0	15
B	1	14
C	2	12
D	3	9
E	4	5
F	5	0

Table above shows Full employment of scarce resources implies guns- butter trade off

From the above draw a production possibility frontier and discuss four uses of PPF (8 Marks)

e). Specialisation brings its benefits but it also has limitations. Discuss the statement. (11 Marks)

**QUESTION TWO (15 MARKS)**

1. Explain the following concepts as used in economics:

- a) Scarcity and choice
- b) Opportunity cost
- c) Ceteris Paribus
- d) Positive and normative economics

e) Whatever political party is in power, explain four main economic goals that it will pursue

**QUESTION THREE (15 MARKS)**

a) Use the data in the table below to complete income elasticity through the arc elasticity method (3 Marks)

Quantity	Income (Shs.)	Price (Shs.)
100	5,000	16
120	6,000	16

b) Given the market model

$$\bar{P} = Q_s$$

$$Q_d = 48 - 4P$$

$$Q_s = -6 + 14P$$

Find  $\bar{P}$  and  $\bar{Q}$  (2Marks)

c) What are the main factors of production? (5 Marks)

d) What determines the supply of demand for the factors of production that you have identified in a) above? (5 Marks)

**QUESTION FOUR (15 MARKS)**

a) State the economic circumstances under which a perfectly competitive market may thrive. (6 Marks)

b) Distinguish between supply, demand and equilibrium price. (6 Marks)

**QUESTION FIVE (15 MARKS)**

a) Explain what is meant by elasticity of supply and state the factors that determine the supply of a good in the market. (10 Marks)

b) The table below shows the demand and supply schedules for a product:

PRICE (KShs. per kg)	DEMAND (kg)	SUPPLY (kg)
10	100	20
20	85	36
30	70	53
40	55	70
50	40	87
60	25	103
70	10	120

Draw the demand and supply curves and show the equilibrium price and quantity. (5 Marks)