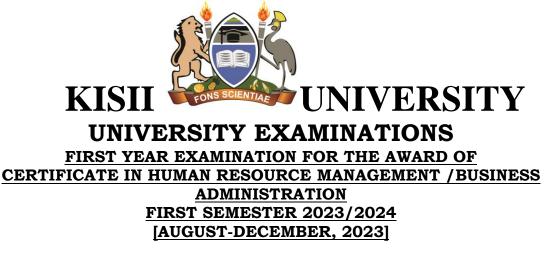
<u>CIAF 0126</u>



CIAF 0126/CBD 009: INTRODUCTION TO ECONOMICSSTREAM:Y1 S1TIME: 2 HOURS

DAY: THURSDAY, 9..00 - 11.00 A.M.DATE: 30/11/2023INSTRUCTIONS1.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	GUNS		
	(Millions	of (Thousands		
	pounds))		
А	0	15		
В	1	14		
С	2	12		
D	3	9		
Е	4	5		
F	5	0		
Table above sho resources implies	-	oyment of scarce r 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)

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

b) Given the market model

 $\overline{P} = Qs$

 $Q_d = 48 - 4P$

 $Q_s = -6 + 14P$

Find \overline{P} and \overline{Q}	(2Marks)
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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)