



# MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

THIRD YEAR SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF ECONOMICS AND FINANCE

BACHELOR OF ECONOMICS

EAE 100: ECONOMICS OF INFORMATION TECHNOLOGY

DATE: 27/9/2019

TIME: 2:00 – 4:00 PM

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## INSTRUCTIONS:

- (i) Answer question one (Compulsory) and any other two questions
- (ii) Do not write on the question paper
- (iii) Show your working clearly

## QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Explain three main categories of Price discrimination evident in the Kenyan Economy today (9 marks)
- b) Explain the following terms as used in Economics of Information and Technology
  - i) Switching costs
  - ii) Poaching
  - iii) Product-line pricing (3 marks)
- c) Using a figure, describe the five data processing stages. (10 marks)
- d) Economists say that ICT is not immune to economic downturns. Based on this argument, discuss the impacts of ICT on an economy. (8 marks)

## QUESTION TWO

- a) Describe the tasks performed during Implementation stage of the system Development Life Cycle. (14 marks)
- b) Distinguish between productivity and productivity growth, and explain two main ways in which productivity is measured. (6 marks)

## QUESTION THREE

- a) With an illustration, define an operating system and state its uses. (10 marks)
- b) i) Define the term batching as used in IT (1 mark)
- ii) Explain how each of the following influences the choice of data processing methods in an organization that has employed IT in its operations:
- Size and type of organization
  - Timing aspects
  - Link between applications
- (9 marks)

## QUESTION FOUR

- a) Analyze the BPO sector in Kenya and discuss the key challenges that the sector is currently encountering. (10 marks)
- b) i) State four major expense elements that make up the Total Cost of Ownership of a software application. (4 marks)
- ii) Based on the knowledge gained from Economics of IT, do you think Information Technology has stronger effects on productivity than other forms of capital? (6 marks)

## QUESTION FIVE

- a) Most computers can have one or more than one operating systems. With examples, describe the various computer operating systems that you know. (10 marks)
- b) Explain the term Digital Economy as used in Economics of IT, giving its characteristics and circumstances when it can be used. (10 marks)