



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

FIRST YEAR FIRST TERM EXAMINATION FOR

DIPLOMA IN BUSINESS MANAGEMENT

SUPPLIES MANAGEMENT

2908/304E, 2906/105E, 2903/105E -ECONOMICS

DATE: 9/6/2021

TIME: 2.30-5.30 PM

INSTRUCTIONS:

The paper contains seven questions answer any five questions.

QUESTION ONE

- a) Define the following terms.
- i. Economics
 - ii. Law of demand
 - iii. Law of supply
 - iv. Market equilibrium
 - v. Price elasticity of demand (10 marks)
- b) Explain five factors that determine elasticity of supply. (10 marks)

QUESTION TWO

- a) Explain five reasons that may account for an outward shift in the demand curve (10 marks)
- b) Describe on the steps to be followed when converting a supply schedule into a supply curve (10 marks)

QUESTION THREE

- a) Explain five different types of elasticity of supply (10 marks)
- b) With the aid of a diagram, describe effect of a shift in the demand curve of a commodity on its equilibrium price. (10 marks)

QUESTION FOUR

- a) Outline 4 advantages and 2 disadvantages of division of labour (6 marks)
- b) Discuss five economic goals that developing countries seek to attain (10 marks)
- c) Highlight 4 factors of production and their rewards. (4 marks)

QUESTION FIVE

- a) What is Economics? (3 marks)
- b) Explain 3 reasons why economics problems arise. (5 marks)
- c) It is important to study economics due to several reasons explain at least 6 reasons.
12 marks

QUESTION SIX

- a) Define the following terms
- i. wants
 - ii. choice
 - iii. opportunity (6 marks)
- b) Consider the following supplied demand and supply function;
- Demand $Q=200-2P$
- Supply $Q=20+4p$
- i. What are the equilibrium price and quantity sold (3 marks)
 - ii. What will be the effect on price and quantity sold if supply shifts to $Q=50+4P$ and demand remains constant. (3 marks)
 - iii. What would be the effect upon price and quantity if demand shifts to $Q=140-2P$ and supply remains constant. (4 marks)
- c) Distinguish between Micro and Macro Economics. (4 marks)

QUESTION SEVEN

- a) Explain 4 types of pricing approaches and highlight an example for each (5 marks)
- b) Discuss 3 types of economies and clearly highlight 3 advantages and 2 disadvantages for each. (15 marks)