



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY - APRIL 2021 SEMESTER

CERTIFICATE IN BUSINESS MANAGEMENT

COURSE CODE: CIBM 002

COURSE TITLE: ESSENTIALS OF ECONOMICS

DATE: 12 MAY 2021

TIME: 11:30 AM – 1:30 PM

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: *All exam rooms are under CCTV surveillance during the examination period.*

SECTION A: COMPULSORY

QUESTION ONE

Economics can be explained as a branch of knowledge categorized as a social science that focuses on studying how individuals interact with economic agents and how they operate. It expounds on matters of production, consumption, and the distribution of both goods and services. Economics is classified into two major types; macroeconomics and microeconomics.

- a) Define the terms opportunity cost, scarcity, and resources. Describe in detail an example of how each of these concepts have affected or currently affect your life. **[10 Marks]**
- b) Discuss the main schools of thoughts and state their roles in aiding economics. **[10 Marks]**
- c) Describe the difference between the short run and the long run in Economics. **[10 Marks]**
- d) What is the most pressing issue, with regards to Economic Development? Explain **[10 Marks]**

SECTION B: ANSWER ANY THREE QUESTIONS

QUESTION TWO

- a) Identify the primary economic decision makers. Describe how money and resources are exchanged in the resource market, indicating who gets the resources and who gets the income. **[10 Marks]**
- b) In Micro Economics, what is the definition and description between "Capital" and "Labor," and what impact do they have on Production Technologies. **[10 Marks]**

QUESTION THREE

- a) Consider the term the Ten Principles of Economics and explain how it's applied to consumer buying trends. **[10 Marks]**
- b) Discuss how people express economic value. **[10 Marks]**

QUESTION FOUR

- a) Briefly outline the difference between diminishing returns to a factor and decreasing returns to scale. Does either of these situations confirm production inefficiency? **[10 Marks]**
- b) If major domestic auto producers are given a bailout for their financial troubles, explain what will be the market effect on domestic and foreign auto producers. **[10 Marks]**

QUESTION FIVE

- a) Explain why the economy will contract when leakages from the circular flow of economic activity are greater than the injections into the flow of economic activity. **[10 Marks]**
- b) What does Welfare Economics mean, and how does it apply to the allocation of resources and its effects on today's society? Explain in detail. **[10 Marks]**