



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY – APRIL 2025 SEMESTER

DIPLOMA IN BUSINESS

COURSE CODE: DECO010

COURSE TITLE: ECONOMICS

DATE:

TIME:

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

- a) Briefly explain the following economic concepts
- (i) Contractionary monetary policy [2 marks]
 - (ii) Liquidity preference [4 marks]
 - (iii) Marginal utility [4 marks]
 - (iv) Opportunity Cost [3 marks]
- b) Suppose the level of autonomous investment in an economy is \$2000 and the consumption function is $C=800+0.6Y$. Find the equilibrium level of income. [3 marks]
- c) What will be the increase in national income if investment increases by \$250? [2 marks]
- d) Discuss the 4 measures you can use to correct deficit in the balance of payments [8 marks]
- e) Explain the 4 factors that affect the transitional demand for money according to the liquidity preference theory [4 marks]

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

- a) Differentiate between microeconomics and macroeconomics [12 marks]
- b) The following equations are given:
- $Q = 200 - 2p$ -----equation (i)
- $Q = -20 + 2p$ -----equation (ii)
- Required:
- i) Giving reasons, identify the demand function and the supply function [4 marks]
 - ii) Calculate the equilibrium price and equilibrium quantity [4 marks]
- a)

Question three

- (a) Describe the 3 stages of production in economics [12 marks]

(b) Discuss the 4 advantages of a price-controlled economy

[8 marks]

Question Four

i) Discuss four reasons why governments intervene with a price floor
marks]

[8

ii) Explain the 4 applicability of Elasticity of Demand
marks]

[12

Question five

a) Explain the 4 limitations of the cardinal approach

[8 marks]

b) Discuss Six Assumptions of Ordinal Approach

[12 marks]