

**JANUARY-APRIL, 2023 TRIMESTER
EXAMINATION FOR DIPLOMA IN BUSINESS MANAGEMENT, DIPLOMA IN
PROCUREMENT AND SUPPLY CHAIN MANAGEMENT AND DIPLOMA IN
BUSINESS INFORMATION TECHNOLOGY**

DAY PROGRAMME

RBM 017: FUNDAMENTALS OF ECONOMICS

DATE: APRIL, 2023

TIME: 2 HOURS

INSTRUCTIONS

1. Write your REGISTRATION NO. Clearly on the answer booklet(s).
2. Answer Question One and ANY other TWO questions.
3. Questions in all sections should be answered in answer booklet(s)
4. PLEASE start the answer to EACH question on a NEW PAGE.
5. For the questions, write the number of the question on the answer booklet(s) in the order you answered.
6. Write on both sides of each leaf and indicate number of each question at the top of each page.
7. Write the answers in a paragraph form unless stated otherwise.
8. Marks allocated to each question are shown at the end of the question.
9. All rough work must be done on the answer booklet and crossed through!
10. Use supplementary pages only when you have exhausted those in this book.
11. Fasten the supplementary pages to the inside back cover of this booklet.

QUESTION ONE (COMPULSORY- 30 MARKS)

- a) Given market demand $Q_d = 50 - P$, and market supply $P = Q_s + 5$
- i) Find the market equilibrium price and quantity? **(2 mrks)**
 - ii) What would be the state of the market if market price was fixed at sh. 25 per unit? **(2mrks)**
- b) Explain **four** functions of money in the economy. **(4 Mrks)**
- c) Discuss **three** major types of unemployment **(6 marks)**
- d) Explain **three** limitations of planned economic systems **(6 marks)**
- e) Describe **five** factors which may influence demand of a commodity. **(10 Marks)**

QUESTION 2

- a) An increase in the market price of milk from Kshs. 50.00 to Kshs. 60.00 per litre reduces the quantity of milk demanded from 150,000 to 120,000 litres per month.

Required:

- i) Compute the price elasticity of demand of milk **(4 marks)**
- b) Describe the **four** categories of economic resources **(4 marks)**
- c) Explain the **two** main characteristics of indifference curves. **(2mrks)**
- d) Outline **five** assumptions of perfectly competitive market. **(5 Marks)**
- e) Outline **five** functions of central bank in Kenya **(5 Marks)**

QUESTION 3

- a) State the Law of Diminishing Marginal Utility **(2marks)**
- b) Distinguish between price floor and price ceiling using a well labelled diagram **(8mrks).**

- c) Evaluate any **five** features of monopoly market structure.
(10 Marks)

QUESTION 4

- a) Define opportunity cost and Scarcity **(2 Marks)**
- b) With the aid of well-labelled diagrams, distinguish between movement along the demand curve and shifts of the demand curve **(8marks)**
- c) Explain **FIVE** characteristics of oligopoly market structure **(10 marks)**