

BACHELOR OF SCIENCE IN SUPPLY CHAIN AND OPERATIONS MANAGEMENT
END OF SEMESTER EXAMINATION
UNIT CODE: SCM 1205: PRINCIPLES OF ECONOMICS

DATE: Tuesday, 13th April 2021

Time: 2 Hours

Instructions:

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions in Part two.

PART ONE (Compulsory)

Question ONE

- a) Distinguish between following concepts as used in economics;
 - i) Microeconomics and Macroeconomics (3 marks)
 - ii) Positive economics and Normative economics (3 marks)
 - iii) Gross Domestic Product and Gross National Product (3 marks)
 - iv) Fixed costs and variable cost (3 marks)
 - v) Perfectly elastic demand and perfectly inelastic demand (3 marks)
- b) Explain **THREE** determinants of supply of a commodity in the market (3 marks)
- c) Outline **THREE** functions of money (3 marks)
- d) Outline **THREE** exemptions to the law of diminishing marginal utility (3 marks)
- e) Explain **THREE** factors that may hinder economic growth of a less developed country(LDC) (3 marks)
- f) Identify **THREE** factors of production and their rewards (3 marks)

(Total 30 marks)

PART TWO (Answer any TWO Questions)

Question TWO

- a) Using an appropriate diagram, explain the concept of circular flow of income (7 marks)
- b) The republic of Kenya is currently experiencing high rates of unemployment among the young population. Explain **FOUR** measures that the government may take to address the situation (8marks)

(Total: 15 marks)

Question THREE

- a) State the law of diminishing marginal returns (variable proportions) and its assumptions (7 marks)

- b) Using relevant diagram(s), distinguish between demand pull inflation and cost push inflation (8 marks)

(Total: 15 marks)

Question FOUR

- a) Explain **FOUR** roles that commercial banks may play in an economy (8 marks)

- b) Outline **SEVEN** features of perfectly competitive market structure (7 marks)

(Total: 15 marks)

Question FIVE

- a) Explain **FOUR** limitations of using national income statistics to measure economic wellbeing of people in a country (8 marks)

- b) Using a well labelled diagram, explain the consequences of government fixing maximum price for certain commodities in the country (7 marks)

(Total: 15 marks)