



**STRATHMORE BUSINESS SCHOOL**  
**BACHELOR OF SCIENCE IN SUPPLY CHAIN AND OPERATIONS MANAGEMENT**  
**END OF SEMESTER EXAMINATION**  
**SCM 1205: PRINCIPLES OF ECONOMICS**

DATE: Thursday, 13<sup>th</sup> March 2025

Time: 11:00-13:00

**Instructions**

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

**QUESTION ONE (COMPULSORY)**

**30 MARKS**

- a) Using relevant examples, distinguish between the following concepts as used in economics;
  - i) Positive economics and Normative economics **(3 marks)**
  - ii) Inflation and Deflation **(3 marks)**
  - iii) Inferior good and Giffen good **(3 marks)**
  - iv) Injections and Leakages **(3 marks)**
- b) The price of a particular brand of coffee increases from \$50 to \$60 per bag, and as a result, the quantity demanded decreases from 1,000 bags to 800 bags, determine the price elasticity of demand for this coffee and interpret your answer. **(4 marks)**
- c) Briefly explain **four** factors that a monopolist may consider when implementing price discrimination for his product. **(4 marks)**
- d) Outline **three** roles that money plays in an economy **(3 marks)**
- e) With the help of an appropriate diagram, illustrate the outcome of a simultaneous increase in consumers' income and a shortage of bread in the market. **(4 marks)**
- f) Giving relevant examples, highlight **three** basic economic questions that every economy seeks to answer. **(3 marks)**

**QUESTION TWO****15 MARKS**

- a) National income accounting is very important to a country like Kenya but it's not a good measure of economic welfare. Explain. **(8 marks)**
- b) Using a well labeled diagram, illustrate and explain the **three** stages of production associated with the law of diminishing marginal returns. **(7 marks)**

**QUESTION THREE****15 MARKS**

- a) In the recent years Kenya has been experiencing inflation tendencies that have eroded the value of money thereby making people worse off. What remedies would you propose measures to curb such inflation? **(8 marks)**
- b) The demand and supply schedules of carrots in Jamhuri market are given below:

Price in Ksh '000' per ton	Quantity demanded per month(thousands of tons)	Quantity supplied per month(thousands of tons)
2	110	5
4	90	46
8	67.5	100
10	62.5	115
12	60	122.5

Determine the equilibrium quantity and price by graphical method **(7 marks)**

**QUESTION FOUR****15 MARKS**

- a) Explain **five** types of jobs that may experience structural unemployment due to technological changes. **(10 marks)**
- b) Using a well-illustrated diagram, show that a firm in a perfectly competitive market can make super-normal profits in the short-run. **(5 marks)**

**QUESTION FIVE****15 MARKS**

- a) A country can adopt a variety of policies to address macroeconomic issues being experienced. Discuss **five** monetary policy tools. **(10 marks)**
- b) Highlight **five** examples of internal economies of scale. **(5 marks)**