



SOUTH EASTERN KENYA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

THIRD SEMESTER EXAMINATION FOR THE DEGREES OF BACHELOR OF PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

CCS 009: ELEMENTS OF ECONOMICS

Date: 6TH AUGUST, 2018

TIME: 8.00-10.00AM

Instructions to Candidates

- (i) Answer Question ONE and any other TWO questions**
- (ii) Question ONE carries 30 Marks and the rest 20 Marks each**
- (iii) Show your working clearly**

QUESTION ONE (30 MARKS)

- a) Distinguish between the following terms as used in Economics **(10 Marks)**
- (i) Microeconomics and Macroeconomics
 - (ii) Public enterprises and nationalized industries
 - (iii) The law of Demand and Supply
 - (iv) Regional integration and Economic Integration
 - (v) Monetary and Fiscal policies
- b) Define the production possibility frontier (PPF) and use it to illustrate 'the resource allocation process faced by two a factor hypothetical economy. **(5 Marks)**
- c) Suppose the demand curve for bananas is given as $Q_d = 175.75 - 4.5P$ and the supply curve given as $Q_s = 134.5 + 3.0P$, where Q_d is quantity demanded, Q_s is quantity supplied to the market and P is the market price. Calculate the market clearing price and quantity. **(5 Marks)**
- d) Monetary policy aims to regulate the flow of monetary resources in the economy to attain certain specific objectives. Explain briefly the Five main objectives of monetary policies in an economy. **(10 Marks)**

QUESTION TWO (20 MARKS)

- a) State Heckscher-Ohlin Theorem. **(2 Marks)**
- b) Explain Paul Samuelson's factor price equalization theory. **(10 Marks)**
- c) Explain five disadvantages of specialization and division of labour to an organization. **(8 Marks)**

QUESTION THREE (20 MARKS)

- a) Explain the abandonment of barter trade and the introduction of money in financing transaction helped in the economic growth and development of countries. **(8 Marks)**
- b) Empirical studies have shown that commercial banks in Kenya contribute to economic growth and development. Discuss five ways in which they do so. **(7 Marks)**
- c) What is meant by trade creation and trade diversion in the context of regional trading agreements? **(5 Marks)**

QUESTION THREE (20 MARKS)

- (a) Explain the importance of **Say's Law** in the neoclassical theory of employment and outline Keynes' main criticisms of the classical theory. **(10 Marks)**
- (b) Show how equilibrium national income is determined in the simple **Keynesian model**, recognizing the assumptions upon which the model is build **(10 Marks)**

QUESTION FOUR (20 MARKS)

- a) There has been an increasing trend towards regionalism and it has made regional economic integration a part and parcel of the present global economic order. Many factors contribute to this current growing trend of regionalism.
- (i) Giving examples explain four benefits of economic integration for a small open economy like Kenya. **(8 marks)**
- (ii) Explain why they have been ineffective in promoting trade and attracting Foreign Direct Investment (FDI) in the continent. **(4Marks)**
- (b) It is now clear that because of the numerous problems of the public enterprises, they have failed to achieve the objectives because:
- (i) Give four reasons why public enterprises fail **(4Marks)**
- (ii) Identify four reforms put in place as a result of the failure of Public Enterprise **(4 Marks)**

QUESTION FIVE (20 MARKS)

- (a) What is the difference between gross domestic product (GDP) and gross national product (GNP)? **(2 Marks)**
- (b) Explain the three approaches of measuring national income? **(6 Marks)**
- (c) Identify the different types of internal economies and external economies of large scale production **(6 Marks)**
- (d) Explain why harmonious employee relation is essential in an organization. **(6 Marks)**