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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2019/2020 ACADEMIC YEAR TWO**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: ACS 203**

**COURSE TITLE: PRINCIPLES OF ECONOMICS I**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 18/12/2020 TIME: 09.00-11.00 AM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of TWO (2) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

1. Countries which are producers of primary commodities tend to experience worse fluctuations in their balance of payments than the industrialised countries.
2. Explain why this is so. **[5 Marks]**
3. What measures may be taken to reduce the fluctuations? **[5 Marks]**
4. What is meant by economic development? **[2 Marks]**
5. Describe the major obstacles to the process of development **[7 Marks]**
6. Suggest how each obstacle may be overcome. **[6 Marks]**
8. What do you understand by the term “trade cycle”? **[1 Mark]**
9. Clearly describe the characteristics of each stage of the trade cycle. **[4 Marks]**

**QUESTION TWO**

1. Explain the concept of mobility of factors of the production and the significance of the mobility of the factors in economics. **[7 Marks]**
2. Short-run balance of payments problems have made many countries adopt measures that have had short-term, and sometimes, counterproductive effects.

Briefly describe these short-term measures and also suggest what measures may have long-term effects**. [7 Marks]**

1. Discuss the factors that influence the determination of wages. **[6 Marks]**

**QUESTION THREE**

1. Outline the various factors which lead to monopoly power. **[7 Marks]**
2. Compare the advantages and disadvantages which consumers may derive from production by a monopolist. **[6 Marks]**
4. What is meant by optimum size of a firm? **[3 Marks]**
5. What economic factors promote or limit the expansion of a firm? **[4 Marks]**

**QUESTION FOUR**

1. State the economic circumstances under which a perfectly competitive market may thrive. **[4 Marks]**
2. In what ways does a perfect market differ from a monopoly, oligopoly and monopolistic competition? **[16 Marks]**

**QUESTION FIVE**

1. Distinguish between supply, demand and equilibrium price. **[9 Marks]**
2. Explain what is meant by elasticity of supply and state the factors that determine the supply of a good in the market. **[6 Marks]**
3. The table below shows the demand and supply schedules for a product.

**Price (sh. per Kg) Demand (kg) Supply (Kg)**

10 100 20

20 85 36

30 70 53

40 55 70

50 40 87

60 25 103

70 10 120

Draw the demand and supply curves and derive the equilibrium price and quantity. **[5 Marks]**