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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR FOUR**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF EDUCATION, ARTS AND SOCIAL SCIENCES**

**FOR THE DEGREE OF BACHELOR OF EDUCATION (ARTS)**

**COURSE CODE: EPE 404**

**COURSE TITLE: BUSINESS STUDIES 2**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 09/10/2021 TIME: 3.00-5.00 PM**

**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. With an aid of a diagram explain the law of demand. 5 marks
2. Define the term;
3. Price Elasticity of demand. 2 marks
4. When the price of milk falls from Ksh 60 to Ksh 55, the quantity of milk demanded increases from 10 units to 20 units. Calculate the price elasticity of demand. 3 marks
5. What is;
6. Income elasticity of demand. 2 marks
7. A consumer has a monthly income of Ksh.10, 000. From this income he is able to have a demand of 10 kg of maize flour, among other demands. When his income increased to Ksh. 20,000 per month, the consumer is able to demand 15 kg of maize flour in a month. Calculate the income elasticity of demand. 3 marks
8. Explain the circumstances that would make consumers to act against the law of demand. 4 marks
9. Using a suitable diagram;
10. Explain abnormal/exceptional supply curve. 3 marks
11. If the price of a towel increases from ksh 300 to ksh 400, the quantity supplied changes from 100 towels to 150 towels in a week. What is the elasticity of supply? 3 marks
12. Using appropriate graphs distinguish between fixed costs and variable costs. 4marks

**QUESTION TWO**

1. Export Processing Zones (EPZ) are the backbones of the economies in developing countries. Justify this statement with appropriate examples. 10 marks
2. Explain how liberalization has led to economic disempowerment of most developing countries. 10 marks

**QUESTION THREE**

1. Discuss the indicators that would be used to measure the deficit of disequilibrium balance of payment of poor nations. 10 marks
2. Critically examine the reasons responsible for enhancing differences in the Terms of Trade for countries engaged in international trade. 10 marks.

**QUESTION FOUR**

1. Describe the methods a business organization would use to form linkages/networks with other organizations in same industry in the market. 10 marks
2. Mr. Omar is a finance officer in one of the largest retail outlets in Garissa Town. He has instructed the officers in his office to capture all the business transactions that took place in the financial years 2020/2021. Explain the activities that would inform his decision. 10 marks

**QUESTION FIVE**

1. Discuss the external diseconomies of scale faced by most multinational companies in the modern global market. 10 marks
2. International trade is the only measure that can be taken to revamp the ailing economy of our nation. Discuss. 10 marks.