

MURANGA UNIVERSITY COLLEGE

UNIVERSITY EXAMINATIONS

2014 ACADEMIC YEAR

SUPPLEMENTARY

DEGREE IN BACHELOR OF COMMERCE

COURSE CODE: HRD 2103

COURSE TITLE: GENERAL ECONOMICS

Date:

Time 2hrs

This Paper Consists of 3 Printed Pages. Please Turn Over.



INSTRUCTIONS TO CANDIDATES

1. QUESTION ONE IS **COMPULSORY**
2. ANSWER ANY OTHER **TWO** QUESTIONS

QUESTION ONE

- a) Differentiate between the following economic terms/concepts;
- i. Division of labor Vs Exchange
 - ii. Economic resources Vs. Scarcity & Choice
 - iii. GDP Vs. GNP
 - iv. Utility Vs. Rationality
 - v. GNP Per capita Vs. GNI Per capita (10 marks)
- b) Explain the two approaches to the study of economics namely positive and normative analysis (6 marks)
- c) Discuss the tools applied by the Central bank of Kenya to control money supply in the country (8 marks)
- d) A market was operating at an equilibrium point e_1 by use of a diagram, show and explain the new equilibrium e_2 when the income of consumers decreases (8 marks)
- e) Explain the forms of mobility in the factors of production (8 marks)

QUESTION TWO

- a) Governments have both microeconomic and macroeconomic goals. Discuss policies and objectives of microeconomic and macroeconomic objective of a government. (10 marks)
- b) Briefly explain the functions of a government budget (5 marks)

QUESTION THREE

- a) As county governments continue to agitate for more resource allocations, discuss the impact of increased direct taxations by these governments as a way of raising funds. (10 marks)
- b) Define Balance of Payment and highlight the components of the BOP (5 marks)

QUESTION FOUR

- a) Trade unions plays a critical role in ensuring employees receive a reasonable compensation of their labor. Discuss the arguments for higher wages by these unions (10 marks)
- b) Kenya have a higher population growth compared to developed nations, Explain why benefits of the increased population to the Kenyan economy. (5 marks)