



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

BACHELOR OF COMMERCE HONOURS DEGREE IN MARKETING

PRINCIPLES OF ECONOMICS

HMKT 106

PART 1 SEMESTER 2

Total Marks [100]

DATE: DECEMBER 2023

Time: 3 Hours

INSTRUCTIONS

1. This paper has *six (6)* questions
2. Answer question *one (1)* and *any* other *three (3)*
3. Each question carries *25 marks*
4. Start each question on a new page

QUESTION 1

With the aid of a graph, discuss the concept of scarcity, choice and opportunity cost.
(2 5marks)

QUESTION 2

- a) Explain the term price elasticity of demand (PED). (6 marks)
- b) Explain three (3) factors that influence the price elasticity of demand for a product. (9 marks)
- c) What is the significance of PED to :
 - i) The manufacturer (5 marks)
 - ii) The Minister of Finance (5 marks)

QUESTION 3

Discuss any five reasons why small firms survive in the face of competition from large firms. (25 marks)

QUESTION 4

- a) Explain any three (3) functions of money (9marks)
- b) Discuss any four (4) roles of a Central Bank in the economy. (16marks)

QUESTION 5

- a) Explain any three (3) components of a balance of payment (9 marks)
- b) Discuss any four (4) measures that can be used to correct a balance of payment deficit. (16 marks)

QUESTION 6

- a) Explain three (3) Keynesian motives of holding money. (9marks)
- b) Use demand and supply analysis to explain interest rate determination. (16 marks)

END OF PAPER