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**REFORMED CHURCH UNIVERSITY**

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**FACULTY OF COMMERCE**

**BACHELOR OF COMMERCE HONOURS DEGREE IN LOGISTICS AND  
SUPPLY CHAIN MANAGEMENT**

**PRINCIPLES OF ECONOMICS**

**HLSM 117**

**PART 1 SEMESTER 2**

**Total Marks [100]**

**DATE: DECEMBER 2023**

**Time: 3 Hours**

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**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**