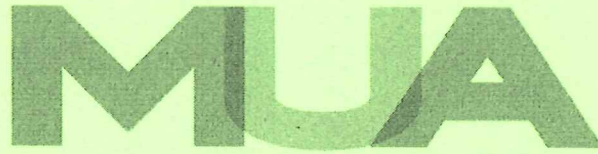


The
Management
University
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CERTIFICATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
CERTIFICATE IN MANAGEMENT AND LEADERSHIP

CML 100 : FOUNDATIONS OF ECONOMICS

DATE: 2ND APRIL 2025

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **FOUR** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **10 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

The financial system of a country plays a crucial role in economic stability and growth. At the center of this system is the Central Bank, which regulates money supply, controls inflation, and oversees commercial banks to ensure financial stability. Commercial banks, on the other hand, provide essential services such as savings accounts, loans, and credit facilities to businesses and individuals. Apart from banks, there are other financial institutions like microfinance banks, insurance companies, and investment firms that offer specialized financial services.

Financial markets, including money markets and capital markets, enable businesses and governments to raise funds by trading short-term and long-term financial instruments. The proper functioning of these institutions and markets ensures smooth economic activities and supports investment and development.

Required:

- a) Explain five ways how the Central Bank regulates commercial banks
(10 marks)
- b) Discuss five differences between commercial banks and non-bank financial institutions.
(10 marks)
- c) Explain five roles of money markets in the Kenyan economy.
(10 marks)

QUESTION TWO

- a) With the help of diagrams, explain five characteristics of inference curves.
(5 Marks)
- b) Discuss five reasons for the rapid development of international trade. (5 Marks)

QUESTION THREE

- a) Donald Trump, the 48th president of America slapped imports from Canada and China with an import duty of 25% and 10% respectively as a measure to protect American manufacturers. Present five arguments against trade protectionism
(5 Marks)
- b) Examine five reasons why the government of Kenya levies taxes on its citizens
(5 Marks)

QUESTION FOUR

- a) Explain five reasons why students study Economics
(5 Marks)
- b) For money to perform its functions, it has to possess certain characteristics. Discuss five of these characteristics.
(5 Marks)

QUESTION FIVE

- a) The Government of China is more inclined to a socialist system. Discuss five features of a socialist economic system
(5 Marks)
- b) There was a sudden increase in the supply of tomatoes in Kenyan markets in the months of December and January. Discuss five factors to account for this increase.
(5 Marks)

QUESTION SIX

- a) Using diagrams, differentiate between the following paired concepts
- i. Change in supply and change in quantity supplied (2.5 marks)
 - ii. Movement along demand curve and shift in demand curve
(2.5 marks)
- b) Using examples drawn from Kenya, discuss five reasons for the existence of monopoly.
(5 Marks)

