CERTIFICATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

CERTIFICATE IN MANAGEMENT AND LEADERSHIP

CML 100: FOUNDATIONS OF ECONOMICS

DATE: 29TH JULY 2026

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

Read the Case Study below carefully and answer the questions that follow:

KENYA'S ROLE IN INTERNATIONAL TRADE

International trade plays a vital role in shaping Kenya's economic growth and development. As a developing country with diverse resources, Kenya engages in trade with numerous countries across the globe. The nation's key exports include tea, coffee, horticultural products, and flowers, which find major markets in Europe, the Middle East, and North America. In return, Kenya imports machinery, petroleum products, motor vehicles, and industrial equipment, primarily from countries such as China, India, and the United Arab Emirates.

Kenya's participation in international trade has created opportunities for foreign exchange earnings, employment, and economic diversification. Membership in regional trade blocs such as the East African Community (EAC) and the African Continental Free Trade Area (AfCFTA) has further enhanced Kenya's ability to access larger markets and strengthen its bargaining power. However, challenges such as trade imbalances, fluctuating global prices, and dependency on a limited range of exports continue to affect the country's trade performance.

Overall, Kenya's engagement in international trade underscores the importance of global interconnectedness in fostering growth, strengthening industries, and promoting sustainable development. By diversifying its export base and investing in value addition, Kenya can enhance its competitiveness and secure a stronger position in the global marketplace.

Required:

a) Discuss any three benefits that Kenya gains from participating in international trade. **(6 marks)**

b) Explain the concept of comparative advantage and give an example of how it applies in international trade.
(4 marks)

c) What is the role of regional trade blocs (e.g., EAC, COMESA) in promoting international trade?
(8 marks)

d) What are two prominent theories that help explain the patterns of international trade? **(2 marks)**

e) Differentiate between tariffs and quotas as tools of trade protection. **(4 marks)**

f) Discuss three disadvantages of trade protectionism to a country's economy.
(6 marks)

QUESTION TWO

a) Define an economic system and explain its role in resource allocation.
(2 marks)

b) What are the key features of capitalism as an economic system? Explain four of them.
(8 mark)

QUESTION THREE

Using a well-labeled graph, illustrate and explain the five different types of price elasticity of demand.
(10 marks)

QUESTION FOUR

Discuss five determinants of supply with examples. **(10 marks)**

QUESTION FIVE

a) Explain the following terms in your own words:

   i. Positive Economics. **(1 mark)**

   ii. Normative Economics. **(1 mark)**

b) Categorize the following statements by writing "Positive" or "Normative" in the blank. **(4 marks)**

   i. "A 10% increase in gasoline prices will lead to a 3% decrease in demand for large SUVs."

   ii. "The government should provide a tax credit for families who purchase electric vehicles to help the environment."

   iii. "The unemployment rate in Kenya fell from 5.7% to 4.8% this past year."

   iv. "It is unfair for corporate profits to be so high while many of their workers rely on public assistance."

c) Differentiate between Monopoly market structure and Monopolistic competition market structure. **(4 Marks)**

QUESTION SIX

Assess the term national income, and explain why it is a significant measure in the process of economic planning **(10 Marks)**