



**MURANG'A UNIVERSITY COLLEGE**

**(A Constituent College of JomoKenyaatta University of Agriculture and Technology)**

**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF COMMERCE**

**MAIN CAMPUS**

**UNIVERSITY EXAMINATION**

**ORDINARY**

**2015/2016 ACADEMIC YEAR**

**YEAR ONE SEMESTER ONE EXAMINATIONS**

**DIPLOMA IN BUSINESS MANAGEMENT&CERTIFICATE IN BUSINESS MANAGEMENT (DBM&CBM)**

**COURSE CODE: DAB1213**

**COURSE TITLE: ECONOMICS**

**DATE:**

**TIME:**

**INSTRUCTIONS TO THE CANDIDATES**

**THIS PAPER CONSIST OF FOUR QUESTIONS**

Question one (1) is Compulsory

Answer Any Other Two (2) Questions

**SECTION A :**

**QUESTION ONE:**

- a) Using suitable diagrams, discuss the effects of changes of both income and price on the budget line? (10 marks)
- b) Distinguish between completeness and transitivity of consumer preferences. Use suitable examples to elaborate your answer? (10 marks)
- c) Explain three reasons why the ATC and AVC curves are U- shaped?(10 marks)

**SECTION B:**

**QUESTION TWO:**

- a) Compare and contrast the perfect market competition and monopoly market structures? (10 mark)
- b) Discuss Oligopoly market structures under the following sub topics☺!0 marks)
- i) price (P) and marginal cost (MC)

II) PROFITS

III) OUTPUT DECISIONS

IV) PRICING DECISIONS

**QUESTION THREE:**

- a) What is the role of capital inflows in correcting balance of payments (B.O.P) (10 marks)
- b) Explain the role of bank rate in stabilizing an economy. How is it relevant to Kenya?(10 mafks)

**QUESTION FOUR:**

- a) What are some of the exceptions to the law of diminishing returns? (10 marks)
- b) Explain marginal rate of substitution, giving the scenario for optimal satisfaction? (10 marks)