



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

FOR THE DIPLOMA

IN

BUSINESS MANAGEMENT

COURSE CODE: DIB 1 122

COURSE TITLE: PRINCIPLES OF ECONOMICS.

DATE: 14TH DECEMBER 2015

TIME: 2 HOURS.

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer ANY OTHER TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities



QUESTION ONE

- a) Define the following economic terms.
 - i. Scarcity (2 marks.)
 - ii. Wants (2 marks.)
 - iii. Price mechanism (2 marks.)
 - iv. Utility (2 marks.)
 - v. Opportunity cost. (2 marks.)
- b) Discuss two human wants classification with their subdivisions. (10 marks.)
- c) Capital is one of the main factors of production. Explain FIVE forms of capital (10 marks.)

QUESTION TWO.

- a) The law of supply applies when other things remain constant; these other things are the assumptions. Explain FIVE Assumptions. (10 marks.)
- b) Discuss FIVE reasons why monopoly may arise in the market structure. (10 marks.)

QUESTION THREE.

- a) Public Debt is a source of public finance. Explain FIVE importance of the public debt. (10 marks.)
- b) Change in demand is not always proportionate to change in price. Discuss (10 marks.)

QUESTION FOUR.

- a) Monetary policy is operated by the Central Bank through the instruments of credit control. Explain FIVE Instruments. (10 marks.)
- b) Explain FIVE primary functions of money. (10 marks.)