



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

SUPPLEMENTARY/ SPECIAL UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

FOR THE DIPLOMA

IN

BUSINESS MANAGEMENT

COURSE CODE: DIB 1 122

COURSE TITLE: PRINCIPLES OF ECONOMICS.

DATE: 6TH AUGUST 2015

TIME: 9.00 -1 1.00AM

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory

Answer TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities



QUESTION ONE.

- a) Define the following economic terms.
- i. Scarcity
 - ii. Wants
 - iii. Price mechanism
 - iv. Utility
 - v. Opportunity cost. (10 marks.)
- b) What is a free market system? Illustrate the characteristics of a free market system. (12 marks.)
- c) A good maybe a commodity or service. Discuss at least FOUR classifications of goods. (8 marks.)

QUESTION TWO.

- a) What is consumer sovereignty? Illustrate FOUR advantages. (10 marks.)
- b) The change in demand is not always proportionate to change in price. Explain.

QUESTION THREE

- a) Explain each one of the following market structures.
- i. Oligopoly
 - ii. Monopoly
 - iii. Monopolistic competition
 - iv. Duopoly
- b) The mobility of factors of production is significant due to several reasons discuss. (10 marks.)

QUESTION FOUR.

- a) Explain FIVE primary functions of money. (10 marks.)
- b) What are human wants? and discuss the two types with their subdivision. (10 marks.)