



## **MURANGA UNIVERSITY COLLEGE**

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

**MAIN CAMPUS**

**ORDINARY UNIVERSITY EXAMINATIONS**

**2014/2015 ACADEMIC YEAR**

**FOR THE DIPLOMA**

**IN**

**BUSINESS MANAGEMENT**

**COURSE CODE: DIB 1122**

**COURSE TITLE: PRINCIPLES OF ECONOMICS.**

**DATE: 21<sup>ST</sup> APRIL 2015**

**TIME: 2 HOURS.**

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### **INSTRUCTIONS TO CANDIDATES**

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

MRUC observes ZERO tolerance to examination irregularities



#### QUESTION ONE

- 1) Write short notes on the following:
  - i. Opportunity cost
  - ii. Utility
  - iii. Wealth
  - iv. Choice
  - v. Scarcity
- 2) What is a free market system? Discuss at least Four characteristics of a free market system (10 marks.)
- 3) Explain FIVE limitations of the freedom of individuals and households to decide for themselves what they want to buy. (10 marks.)

#### QUESTION TWO.

- 1) Sometimes the demand for one commodity is affected by the change in demand of another commodity. Discuss the various forms of interrelated demand. (8 marks.)
- 2) List and explain 3 advantages of price mechanism and 3 disadvantages of price mechanism. (12 marks.)

#### QUESTION THREE

- 1) Monopolistic competition is a form of imperfect competition which lie between the extremes of perfect competition and monopoly. Explain the features it has from both. (10 marks.)
- 2) Discuss FIVE main problems of the firm. (10 marks.)

#### QUESTION FOUR.

- 1) A commercial bank is a financial institution which deals with money and credits and established to earn profit. Explain FIVE main advantages. (10 marks.)
- 2) Price elasticity of supply is determined by several factors name at least FIVE factors. (10 marks.)