



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

SUPPLEMENTARY UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

FOR THE DIPLOMA

IN

BUSINESS MANAGEMENT

COURSE CODE: DIB 1 122

COURSE TITLE: PRINCIPLES OF ECONOMICS.

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) What is Economics? Explain the reasons why economics problems arise. (5 marks.)
- b) It is important to study economics due to several reasons explain at least FIVE reasons. (10 marks.)
- c) What are human wants? Under the classification of human wants, discuss the two types with their subdivision. (10 marks.)
- d) Distinguish between Micro and Macro Economics. (5 marks.)

QUESTION TWO.

- a) Elasticity of supply depends on several factors. Discuss at least FOUR factors. (8 marks.)
- b) Explain at least THREE reasons why a monopolistic market can be supported, and THREE reasons why it is not considered a good type of market. (12 marks.)

QUESTION THREE.

- a) Various types of inflations are related to the rate of rise in prices of commodities. Discuss the types of inflation. (8 marks.)
- b) The change in demand is not always proportionate to change in price. Explain. (12 marks.)

QUESTION FOUR.

- a) Explain FIVE primary functions of money. (10 marks.)
- b) Monetary policy is the macroeconomic policy laid down by the central bank. Discuss the objectives or goals of monetary policy. (10 marks.)