



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION FOR DIPLOMA IN BUSINESS MANAGEMENT

2017/2018 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER EXAMINATION

BCE 050 ECONOMICS

DURATION: 2 HOURS

DATE: 21ST APRIL 2018

TIME: 9.00-11.00AM

Instructions to Candidates:

1. Answer **Question 1** and **Any Other Two** questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

SECTION A – ANSWER ALL QUESTIONS IN THIS SECTION

QUESTION ONE

QUESTION ONE

- a) Write short notes on the following fundamentals concept
- i. Scarcity and choice (5 marks)
 - ii. Opportunity cost (5 marks)
 - iii. Production possibility frontier (5 marks)
 - iv. Positive and normative economics (5 marks)
- b) What factors limit sovereignty (10 marks)

SECTION B – ANSWER ANY TWO QUESTIONS IN THIS SECTION

QUESTION TWO

- a) Using specific examples, explain ‘ceteris paribus’ as used in economics (10 marks)
- b) Why is the consumer said to be sovereign (10 marks)

QUESTION THREE

- a) State the law of variable proportions (2 marks)
- b) What are the key assumptions that underlie this law (6 marks)
- c) Discuss the three main stages associated with this law (12 marks)

QUESTION FOUR

- a) Define marginal utility and clearly explain the axiom of diminishing marginal utility (6 marks)
- b) Illustrate and explain the following:
- i. Consumer equilibrium under cardinalistic approach (7 marks)
 - ii. Consumer equilibrium under ordinalistic approach (7 marks)