



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATION (DRAFT)

**2018/2019 ACADEMIC YEAR
FIRST YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS
CERTIFICATE IN HUMAN RESOURCE MANAGEMENT**

**COURSE TITLE: INTRODUCTION TO ECONOMICS
COURSE CODE: CHR 110**

DATE: 29TH APRIL 2019

TIME: 11.00-13.00

Answer Question **ONE** and any other **THREE** questions

*This paper consists of **three** printed pages. Please turn over.*

Question 1

a. “Humans are rational beings” Disuss. (Hint: utility maximization objectives of economic agents)

(3 Mks)

b. Economics is a science which studies human behavior as a relationship ends and scarce means which have alternative uses (Robbins 1932). As a human resource manager, highlight the relevance of studying economics .

(4 Mks)

c. Giving examples where appropriate, explain the following economic concepts;

- i. Micro economics vs macro economics,
- ii. Individual schedule vs market schedule,
- iii. Opportunity cost

(6 Mks)

d. Given demand function, $Q = a - bP$,

where P : is unit price of a good, and Q : quantity demanded, interpret economic variables ‘ a ’ & ‘ b ’.

(2 Mks)

e. Explain the main characteristics of indifference curves

(2 Mks)

f. National income statics is irrelevant, explain.

(4 Mks)

g. Highlight the various setbacks to trade unions in achieving their client well-being bargaining objectives.

(4 Mks)

Question 2

- a. State the Concept of equi-marginal utility

(2Mks)

- b. Write short notes on “factors of production”
(highlight efficiency determinant for each factor)

(10 Mks)

- c. State any 3 wage determination policies.

(3 Mks)

Question 3

- a. Define ‘utility’

Answer: Utility refers to level of satisfaction consumer derives from consumption of a good or a service.

(1 Mks)

- b. Table below gives hypothetical marginal utility figures for a consumer who wishes to distribute expenditure of K£36 between three commodities X and Y

Marginal utilities derived from each Kg of:

Quantity	Marginal utility derived from each Kg of:	
	X (\$8/Kg)	Y (\$4/Kg)
1	72	60
2	48	44
3	40	32
4	36	28
5	32	16
6	20	12
7	12	08

In what quantities must the consumer consume x & y in order to maximize satisfaction.

(8Mks)

c. State and explain any three assumptions of consumer behavior.

(6 Mks)

Question 4

a. It is important to measure National Income, Discuss

(7 Mks)

b. Proportionate changes in quantity demanded to proportionate changes in prices varies from commodity to commodity, with aid of diagrams, illustrate the various price elasticities of demand.

(Any four, 8 Mks)

Question 5

a. Discuss the various factors determining Income elasticity of demand

(6 Mks)

b. Differentiate between economies and diseconomies of scale

(2 Mks)

c. Explain the concept of Law of Diminishing Returns to Scale

(2 Mks)

d. Indifference curves do not cross each other, explain.

(5 Mks)