MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR
FIRS YEAR FIRST SEMESTER

DIPLOMA IN BUSINESS MANAGEMENT
END OF SEMESTER EXAMINATION

COURSE CODE: DBM 03
COURSE TITLE: INTRODUCTION TO ECONOMICS

DATE: 2ND JUNE, 2021   **TIME: 1430 – 1630HRS**

INSTRUCTIONS TO CANDIDATES

- Question **ONE** is compulsory

- Answer any other **TWO** Questions

Question One
a. Elasticity of demand refers to the degree of responsiveness of quantity demanded as a result of a proportionate change in determinants of quantity demanded with respect to a change in a factor which determines quantity demanded. What are the factors determining elasticity of demand. **(5Marks)**
b. Explain factors responsible for wage differentials within the same occupation **(5 Marks)**
c. State any three theories of wage determination. **(3 Marks)**
d. Outline the limitations of using GDP as a measure of national welfare. **(4 Marks)**

e. Given a demand and supply functions of the form;
$P = 20 - 0.5Q_d$ Demand Function
$P = 100 + 0.1Q_s$ Supply Function
Determine:
     i. Equilibrium quantity traded
     ii. Equilibrium price

(3 Marks)

Question Two
a. Economics is a social science. Discuss. **(3 Marks)**
b. How is Adam Smith's definition of economics different from Alfred Marshall's definition? **(4 Marks)**
c. Write short notes on the following concepts.
     i.   Indifference curve vs budget line
     ii.   Short run vs long run
     iii.   Fixed cost vs variable cost
     iv.   Inductive reasoning vs inductive reasoning

(8 Marks)

Question Three
a. Describe the circular flow of income and output assuming a two sector economy. **(8 Marks)**
b. State and explain assumptions of consumer preference

(7 Marks)

Question Four
a. Discuss limitations of trade unions to achieving their objectives. **(5 Marks)**
b. With an aid of a diagram, illustrate consumer equilibrium under indifference curve approach. **(10 Marks)**
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