MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS
ACADEMIC YEAR 2022/2023
FIRST YEAR FIRSTSEMESTER

SCHOOL OF BUSINESS &ECONOMICS
DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE: DBM 03
COURSE TITLE: INTRODUCTION TO ECONOMICS

DATE: 20/4/2023   TIME: 0830-1030 HRS

INSTRUCTIONS TO CANDIDATES
Answer Question ONE and any other THREE Questions.

QUESTION ONE

a) Define the following concepts as used in economics:

 i.   Utility   **(2 Marks)**
 ii. Scarcity   **(1 Mark)**
 iii. Unlimited wants   **(1 Mark)**
 iv. Rational self-interest   **(2 Marks)**

b) Distinguish between microeconomics and macroeconomics giving relevant examples.   **(4 marks**

c) Explain the sources of monopoly power   **(5 Marks)**

d) Discuss five functions of taxation   **(10 Marks)**

QUESTION TWO

a) Explain five characteristics of an oligopoly market structure **(10 Marks)**

b) Define what factors of production and explain the four factors of production   **(5 Marks)**

QUESTION THREE

a) Explain five challenges encountered by economic planners when estimating the national income in developing countries   **(10 Marks)**

b) Define what principles of taxation are and briefly explain the principles of taxation according to Adam Smith   **(5 Marks)**

QUESTION FOUR

 a) Define what fiscal policy is and explain the objectives of the fiscal policy.
                                                                      (10 Marks)
 b) With the aid of a diagram, explain the production possibility frontier.
                                                                      (5Marks)

QUESTION FIVE

The table below therefore shows individual total utility at the corresponding quantities consumed. The price of the tea is 5 shillings, calculate the, marginal utility and consumer surplus.(15marks).

Quantities of tea consumed	1	2	3	4	5	6	7
Total utility	30	50	65	75	83	89	93

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