



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS  
2021/2022 ACADEMIC YEAR  
FIRST YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS  
DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DBM 03**

**COURSE TITLE: INTRODUCTION TO ECONOMICS**

**DATE: 31<sup>ST</sup> MARCH, 2022**

**TIME: 1430-1630**

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## **INSTRUCTIONS TO CANDIDATES**

Question **ONE** is compulsory

Answer any other **THREE** questions

*This paper consists of 3 printed pages. Please turn over.*

**QUESTION ONE**

1.(a) Define the following concepts as used in economics:

- I. Scarcity (1 mark)
- II. Choice (1 mark)
- III. Opportunity cost (1 mark)
- IV. Rational self interest (1 mark)

b) Explain three assumptions of the cardinal theory/the marginal utility approach (6 marks)

c) Differentiate between the two main branches of economics giving relevant examples of each.

(4 marks)

d) Explain the cannons of taxation according to Adam Smith. (8 marks)

e) State three properties of indifference curves. (3 marks)

**QUESTION TWO**

a) explain the main dimensions of market structures (8 marks)

b) Explain the challenges encountered in measuring national income (7 marks)

**QUESTION THREE**

a) Explain five functions of taxation (10 marks)

b) Discuss the two main ways through which a monopolistic situation can be created (5 marks)

**QUESTION FOUR**

a) Distinguish between perfect competition and oligopoly market structures (10 marks)

b) Explain the factors of production (5 marks)

**QUESTION FIVE**

a) You are given the following data of company A. Use it to calculate the average product and the marginal product.

No. of labor	TP <sub>L</sub>	AP <sub>L</sub>	MP <sub>L</sub>
1	10		
2	30		
3	60		
4	88		
5	100		
6	110		
7	118		
8	118		
9	110		
10	100		

(10 marks)

b) With a well diagram, explain the circular flow of income with two sectors only (5 marks)

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