



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS  
2023/2024 ACADEMIC YEAR FIRST  
FIRST YEAR FIRST SEMESTER**

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

**COURSE CODE: DBM 03  
COURSE TITLE: INTRODUCTION TO  
ECONOMICS**

**DATE: 31/1/2024**

**TIME: 1100-1300 HRS**

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## **INSTRUCTIONS TO CANDIDATES**

**Answer Question ONE and any other THREE Questions.**

### QUESTION ONE

1. (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) The utility derived by consumers from listening to western music is shown below. Compute the marginal utility (5 Marks)

Hours of listening	Total utility
1	200
2	298
3	348
4	358
5	358
6	288
7	88

d) Discuss five functions of taxation (10 Marks)

### QUESTION TWO

a) Explain five characteristics of an perfect competition 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 circular flow of income with two actors (5Marks)

#### QUESTION FIVE

A firm produces good X using labour as the only variable factor. Its fixed cost is five dollars. The table below therefore shows the firms total cost at the corresponding output levels.

Output(Q)	Total cost(T.C)
0	5
1	9
2	12.5
3	15.8
4	18.8
5	22
6	25.5
7	29.3
8	33.6

Calculate:

- i. Total variable cost (3Marks)
- ii. Average fixed cost (3 Marks)
- iii. Average variable cost (3 Marks)
- iv. Average total cost (3 Marks)
- v. Marginal cost (3 marks)

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