



# MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS  
2022/2023 ACADEMIC YEAR  
FIRST YEAR FIRST SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS  
BACHELOR OF ARTS IN LANGUAGE AND  
COMMUNICATION (CORPORATE COMMUNICATION  
OPTION)

COURSE CODE: LAC 1105-1  
COURSE TITLE: ECONOMICS & BUSINESS LITERACY

DATE: 8TH DECEMBER, 2022

TIME: 1430-1630

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## INSTRUCTIONS TO CANDIDATES

1. Answer Question **ONE** and any other **TWO** questions
2. Question one is **compulsory** and it carries 20 marks **other** questions are 15 marks each

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

## QUESTION 1

a. "Economic agents are rational beings" Discuss.

(6 Marks)

b. Given demand function,  $P = a - bQ$ ,

where  $P$ : is own price of the good, and  $Q$ : quantity demanded, interpret economic parameters 'a' & 'b'. (3marks)

c. Write short notes on either 5 of the following forms of business organization.

- a. Partnership.
- b. Corporation.
- c. Sole proprietorship.
- d. Cooperative.
- e. Limited liability company

(10 Marks)

d. State the Concept of 'equi-marginal utility.'

(1Mark)

## QUESTION 2

a. Write short notes on the following economic concepts. (5 marks)

- i. Scarcity vs Choice
- ii. Opportunity Cost

b. Discuss practical importance of the knowledge of both price and cross elasticity of demand to;

- i. The government, and
- ii. The producer

(10 Marks)

## Question 3

a. Differentiate between economies and diseconomies of scale

(2 Marks)

b. Determine the equilibrium quantities of commodities x and z for a consumer whose total utility (U) and other relevant variables are given below;

$$U = 20x - 4z^2 + 40z - x^2$$

$$\text{Income level } Y = \text{Ksh.48}$$

$$\text{Price of } x (P_x) = \text{ksh.2}$$

$$\text{Price of } z (P_z) = \text{ksh.4}$$

(13 Marks)

## QUESTION 4

a. Given;

$$1. Q_p d = 3550 - 266$$

$$2. : Q_p s = 1526 + 240$$

Determine;

i. (with reasons) demand and supply function

(3 Marks)

ii. the equilibrium market price and quantity.

(4 Marks)

b. Discuss the basic what, how and to whom basic economic problems with respect to command, market and mixed economic systems. (5 marks)

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