



# **MAASAI MARA UNIVERSITY**

## **REGULAR UNIVERSITY EXAMINATION (DRAFT)**

**2018/2019 ACADEMIC YEAR  
FIRST YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS  
CERTIFICATE IN HUMAN RESOURCE  
MANAGEMENT**

**COURSE TITLE: INTRODUCTION TO ECONOMICS  
COURSE CODE: CHR 110**

**DATE: 29<sup>TH</sup> APRIL 2019**

**TIME: 11.00-13.00**

Answer Question **ONE** and any other **THREE** questions

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

### Question 1

- a. “Humans are rational beings” Disuss. (Hint: utility maximization objectives of economic agents)  
(3 Mks)
- b. Economics is a science which studies human behavior as a relationship ends and scarce means which have alternative uses (Robbins 1932). As a human resource manager, highlight the relevance of studying economics .  
(4 Mks)
- c. Giving examples where appropriate, explain the following economic concepts;  
i. Micro economics vs macro economics,  
ii. Individual schedule vs market schedule,  
iii. Opportunity cost  
(6 Mks)
- d. Given demand function,  $Q = a - bP$ ,  
where  $P$ : is unit price of a good, and  $Q$ : quantity demanded, interpret economic variables ‘ $a$ ’ & ‘ $b$ ’.  
(2 Mks)
- e. Explain the main characteristics of indifference curves  
(2 Mks)
- f. National income statics is irrelevant, explain.  
( 4 Mks)
- g. Highlight the various setbacks to trade unions in achieving their client well-being bargaining objectives.  
(4 Mks)

## Question 2

- a. State the Concept of equi-marginal utility (2Mks)
- b. Write short notes on “factors of production” (highlight efficiency determinant for each factor) (10 Mks)
- c. State any 3 wage determination policies. (3 Mks)

## Question 3

- a. Define ‘utility’

Answer: Utility refers to level of satisfaction consumer derives from consumption of a good or a service.

(1 Mks)

- b. Table below gives hypothetical marginal utility figures for a consumer who wishes to distribute expenditure of K£36 between three commodities X and Y

Marginal utilities derived from each Kg of:

Quantity	Marginal utility derived from each Kg	
	of:	
	X (\$8/Kg)	Y (\$4/Kg)
1	72	60
2	48	44
3	40	32
4	36	28
5	32	16
6	20	12
7	12	08

In what quantities must the consumer consume x & y in order to maximize satisfaction.

(8Mks)

- c. State and explain any three assumptions of consumer behavior.

(6 Mks)

## Question 4

- a. It is important to measure National Income, Discuss (7 Mks)
- b. Proportionate changes in quantity demanded to proportionate changes in prices varies from commodity to commodity, with aid of diagrams, illustrate the various price elasticities of demand. ( Any four, 8 Mks)

**Question 5**

- a. Discuss the various factors determining Income elasticity of demand ( 6 Mks)
- b. Differentiate between economies and diseconomies of scale (2 Mks)
- c. Explain the concept of Law of Diminishing Returns to Scale (2 Mks)
- d. Indifference curves do not cross each other, explain. (5 Mks)