



**MASINDE MULIRO UNIVERSITY OF  
SCIENCE AND TECHNOLOGY  
(MMUST)**

**MAIN EXAMINATION**

**UNIVERSITY EXAMINATIONS  
2023/2024 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER EXAMINATIONS**

**FOR THE DIPLOMA IN BUSINESS ADMINISTRATION**

**COURSE CODE: DIB 103**

**COURSE TITLE: ELEMENTS OF ECONOMICS**

**DATE: MONDAY, 11-12-2023**

**TIME: 8:00 - 10:00**

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**INSTRUCTIONS TO CANDIDATES**

**ATTEMPT: QUESTION ONE AND ANY OTHER TWO**

**TIME: 2 Hours**

**MMUST observes ZERO tolerance to examination cheating**

*This Paper Consists of 3 Printed Pages. Please Turn Over.*

## QUESTION ONE

- a) Write short notes on the following economic concepts: (10 marks)
- i. Economics
  - ii. Scarcity and choice
  - iii. Opportunity cost
  - iv. Production possibility frontier
  - v. Law of supply and demand
- b). Define market structure and explain 4 categories of classifying a market (10 marks)
- c). Citing practical examples, explain the differences between the following types of unemployment and how each affect economic growth.
- i. Seasonal and casual unemployment. (5 marks)
  - ii. Disguised and unproductive unemployment. (5 marks)

## QUESTION TWO

- a) The following information represents individual demand schedule for commodity X. Graphically illustrate the first law of demand (4 marks)

Price (Kshs)	Quantity Demanded per week
20	3
18	3.5
16	4
14	5
13	6
12	7
11	8
10	9

- b) Discuss the main factors of production in Kenyan economy (8 marks)

c) What determines the supply and demand for goods and services in any economy?

(8 marks)

### QUESTION THREE

a) Outline the reasons for slow economic growth of a developing country (6 marks)

b) Explain the 3 types of economic systems in the world (6 marks)

c) What are the advantages and disadvantages of the price system in Kenya (8 marks)

### QUESTION FOUR

Given the total cost is  $TC = Q^2 + 3Q + 2$ . Find;

i. Marginal cost function. (3 Marks)

ii. The average total cost function. (3 Marks)

iii. Average variable cost function. (3 Marks)

iv. At what level of output would the firm minimize its average total cost and its average variable cost in the short run. (5 Marks)

b). State any three motives why money is demanded. (6 Marks)

### QUESTION FIVE

a) Explain how both fiscal and monetary policies are used to influence the performance of an economy (8 marks)

b) Discuss the factors that limit the effectiveness of monetary and fiscal policies in developing countries (6 marks)

c) Explain the main determinants of the size of the economically active population of a country (6 marks)

