



MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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University Examinations 2012/2013

FIRST YEAR, FIRST SEMESTER EXAMINATIONS FOR DIPLOMA/CERTIFICATE IN BUSINESS ADMINISTRATION/DIPLOMA IN PURCHASING AND SUPPLIES MANAGEMENT

DBA 0106: INTRODUCTION TO MICRO-ECONOMICS

DATE: AUGUST 2012

TIME: 1½ HOURS

INSTRUCTIONS: Answer question one and any other *two* questions

QUESTION ONE 30 (MARKS)

- a) Define the following:
 - (i) Utility
 - (ii) Scarcity
 - (iii) Opportunity cost
 - (iv) Equilibrium
 - (v) Price liberalisation (10 marks)
- b) Give two reasons for studying economics (4 marks)
- c) Economics is a science. Elaborate. (3 marks)
- d) State the three factors of production (3 marks)
- e) List any four characteristics of a free market (4 marks)
- f) (i) state the law of demand (2 marks)
(ii) Explain two exceptions to the law of demand (4 marks)

QUESTION TWO (15 MARKS)

- a) Distinguish between a substitute good and complementary good. (3 marks)
- b) More economies are opting for free market systems as opposed to controlled ones.
Compare the two systems by describing their respective advantages and disadvantages. (12 marks)

QUESTION FOUR (15 MARKS)

- a) State any two determinate of demand (2 marks)
- b) Distinguish between minimum price and maximum price (3 marks)
- c) Explain any five effects of price liberalisation (10 marks)

QUESTION FIVE (15 MARKS)

- a) Define consumer sovereignty (2 marks)
- b) Distinguish between positive economics and normative economics (3 marks)
- c) Explain any fived limitations of consumer sovereignty (10 marks)