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**GARISSA UNIVERSITY**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DBM 003**

**COURSE TITLE: INTRODUCTION TO ECONOMICS**

**EXAMINATION DURATION: 3 HOURS**

**DATE: TIME: 00.00-12.00**

**INSTRUCTION TO CANDIDATES**

* **The examination has SIX (6) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other THREE (3) questions from the remaining FIVE (5) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**QUESTION ONE (COMPULSORY)**

1. Expound four limitations of a planned economic system [10 Marks]
2. Analyze six uses of elasticity of demand in decision making [10 Marks]
3. Discuss the theoretical and practical importance of microeconomics **[10 marks]**

**QUESTION TWO**

1. Explain factors affecting individual demand for a good **[8 Marks]**
2. When the price of wheat goes up by 10% its demand falls from 800 units

To 600 units. Calculate price elasticity of demand. Will the demand curve for wheat is flatter or steeper discuss? [12 marks]

**QUESTION THREE**

1. Evaluate three fundamental economic issues that a society has to address to minimize the problem of scarcity of resources [**8 Marks]**
2. expound six features of a firm under perfect competition [**12 Marks]**

**QUESTION FOUR**

1. Describe the assumptions of the law of Diminishing marginal utility [**12 Marks]**
2. Discuss four Factors Affecting Price Elasticity of Demand [**8Marks]**

**QUESTION FIVE**

1. The demand for a good double due to a 25 percent fall in its price. Calculate its price elasticity of demand. [**8Marks]**
2. Discuss five degrees or types of elasticity of supply.(12 marks)

**QUESTION SIX**

1. When price of a good rises from ` 5 per unit to ` 6 per unit, its demand falls from 20units to 10 units. Compare expenditures on the good to determine whether demand is elastic or inelastic. {10marks}
2. Explain FIVE determinants of the level of National Income [**10 Marks]**