TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN BUSINESS ADMINISTRATION
DIPLOMA IN ACCOUNTING

BAC 2102: MICRO ECONOMICS

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 2015

TIME: 2 HOURS

INSTRUCTIONS:

− This paper consists of **FIVE** questions.
− Answer question **ONE (Compulsory)** and any other **TWO** questions.
− Do not write on the question paper

This paper consists of Two printed pages.

QUESTION 1 (Compulsory)

a) Define the law of demand and explain the exceptions of the law of demand. **(8 marks)**

b) Explain **FIVE** factors affecting the elasticity of supply. **(10 marks)**

c) i) What is the law of diminishing marginal utility? **(2 marks)**
   ii) Explain **FIVE** features of a perfect competition market. **(10 marks)**

QUESTION 2

a) Explain **FIVE** importances of monopoly market structure in the economy. **(10 marks)**

b) Distinguish between isoquants and isocost lines and explain the properties of the isoquants.
   (10 marks)

QUESTION 3

a) Define the following terms:
   i) Fixed costs
   ii) Marginal costs
   iii) Variable costs
   iv) Economies of scale
   v) Budget line **(10 marks)**

b) With the aid of a well labelled diagram, explain the effects of an increase in price of good X on the consumer equilibrium point. **(10 marks)**

QUESTION 4

a) Discuss **FIVE** causes of a leftward shift in the demand curve. **(10 marks)**

b) With the aid of a diagram, explain how price mechanism determines the prices in the market.
   (10 marks)

QUESTION 5

a) i) Explain **THREE** properties of indifference curves. **(6 marks)**
   ii) Outline **TWO** assumptions of cardinalist measurement approach. **(4 marks)**

b) Discuss **FIVE** advantages of free market system in an economy. **(10 marks)**