TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN BUSINESS ADMINISTRATION

DIPLOMA IN ACCOUNTING

BAC 2102: MICRO ECONOMICS

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: FEBRUARY 2015

TIME: 2 HOURS

INSTRUCTIONS:

- This paper consists of **FIVE** questions.
- Answer question **ONE (Compulsory)** and any other **TWO** questions.
This paper consists of Two printed pages.

QUESTION 1 (Compulsory)

a) Define the following economic terms:
   i) Isoquant
   ii) Income consumption curve
   iii) Scarcity
   iv) Demand
   v) Total product **(10 marks)**

b) Explain **FIVE** advantages of centrally planned economy. **(10 marks)**

c) When the price of ink changed from 60/- per bottle to 70/- per bottle the quantity of fountain pen is demanded changed from 6,000 units to 4,200 units.
   i) Identify and compute the elasticity. **(4 marks)**
   ii) Interpret the elasticity **(3 marks)**
   iii) State the relationship between the above two goods. **(3 marks)**

QUESTION 2

a) Explain **FIVE** factors that would affect the supply of tomatoes in Kongowea market. **(10 marks)**

b) Describe **FIVE** economies of scale that arise from large scale production. **(10 marks)**

QUESTION 3

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

b) Illustrate a perfect competition's equilibrium in the short run. **(10 marks)**

QUESTION 4

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

b) Outline **FIVE** features of labour as a factor of production. **(10 marks)**

QUESTION 5

a) By use of a well labelled diagram, show the effects of the change on the demand for ice cream after a health campaign which claims that ice cream makes you gain weight. **(10 marks)**

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