



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF BUSINESS ADMINISTRATION
BACHELOR OF COMMERCE

BFI 4102: INTRODUCTION TO MICRO ECONOMICS

END OF SEMESTER EXAMINATIONS

SERIES: DECEMBER 2014

TIME: 2 HOURS

INSTRUCTIONS:

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

This paper consists of Three printed pages

QUESTION 1 (Compulsory)

Discuss the following fundamental economic concepts:

- a) Scarcity and choice **(5 marks)**
- b) Opportunity cost **(5 marks)**
- c) Production possibility frontier **(5 marks)**
- d) Positive and normative economics **(5 marks)**
- e) In discussing scope of economics what questions does the scope of economics consider? **(10 marks)**

QUESTION 2

- a) Clearly explain the distinction between supply, demand and equilibrium price. **(8 marks)**
- b) State and briefly explain any **FOUR** main factors that may cause a fall in the supply of good in the market. **(4 marks)**
- c) The table below shows the demand and supply schedules for a product:

Price (sh. per kg)	Demand (Kg.)	Supply (Kg.)
10	100	20
20	85	36
30	70	53
40	55	70
50	40	87
60	25	103
70	10	120

Required:

Plot the demand and supply curves and determine the equilibrium price and quantity. **(8 marks)**

QUESTION 3

- a) Distinguish between own-price elasticity of demand and cross-elasticity of demand. **(10 marks)**
- b) Briefly discuss the factors which affect the own price elasticity of demand. **(4 marks)**
- c) Discuss the usefulness of these parameters in management and economic policy decision making. **(6 marks)**

QUESTION 4

- a) i) What is an indifference curve? **(2 marks)**
ii) Explain the main characteristics of indifference curves. **(6 marks)**
- b) i) Briefly explain **TWO** exceptions to the definition of an indifference curve. **(4 marks)**
ii) Explain any **FOUR** uses of indifference curve analysis. **(8 marks)**

QUESTION 5

- a) What are the factors of production. **(6 marks)**
- b) Explain the meaning of mobility of factors of production. To what extent are the factors of production mobile. **(7 marks)**
- c) i) State the aspects of significance of factor mobility. **(3 marks)**
ii) What policy recommendations would you suggest to reduce regional development imbalances if any developing countries. **(4 marks)**