



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business & Social Studies

DEPARTMENT OF BUSINESS STUDIES

DIPLOMA IN PROCUREMENT AND MATERIALS MANAGEMENT
DIPLOMA IN TRANSPORT AND LOGISTICS MANAGEMENT
DIPLOMA IN HUMAN RESOURCE MANAGEMENT
DIPLOMA IN BUSINESS ADMINISTRATION
DIPLOMA IN BUSINESS MANAGEMENT

BLT/BAC 2102: MICRO ECONOMICS

SUPPLEMENTARY/SPECIAL EXAMINATIONS

SERIES: JULY 2014

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) Most governments of the world would prefer to have free market economic system to command economic system why? **(10 marks)**
- b) When the entire demand curve shifts to the right or left it is known as change in demand. What are the factors that lead to rightward shift in demand curve? **(10 marks)**
- c) Explain the factors that would affect supply of tomatoes to Kongowea market in Mombasa County. **(10 marks)**

QUESTION 2

- a) Monopoly is a market structure where production is under control of a single supplier. What are the main source of these monopoly power? **(10 marks)**
- b) Explain the main disadvantages of specialization in the economy. **(10 marks)**

QUESTION 3

- a) Price liberalization refers to transition from a system whereby prices are fixed by the government to one where prices are determined by price mechanism. Explain the effects of price decontrol. **(10 marks)**
- b) What are the factors that determine price elasticity of demand of sugar in Kenya? **(10 marks)**

QUESTION 4

- a) Explain the importance of mobility of factors of production in the economy. **(10 marks)**
- b) i) Define the law of diminishing marginal returns. **(2 marks)**
ii) Explain **FOUR** assumptions of consumer rationality in utility analysis. **(8 marks)**

QUESTION 5

- a) Elasticity is the degree of responsiveness of quantity supplied to change in price of commodity. What are the factors that affect elasticity of supply? **(10 marks)**
- b) Explain the common features of a perfectly competitive structure. **(10 marks)**