

THE TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS STUDIES

DEPARTMENT OF MANAGEMENT SCIENCE

BACHELOR OF BUSINESS ADMINISTRATION

BACHELOR OF COMMERCE

BACHELOR OF SCIENCE IN INFORMATION TECHNOLOGY

BFI 4102 : INTRODUCTION TO MICROECONOMICS

END OF SEMESTER EXAMINATIONS

SERIES :MAY, 2016

TIME : 2 HOURS

INSTRUCTIONS:

- This paper consists of Sections A and B
- Section A is Compulsory. Answer any TWO questions in Section B.
- Mobile phones are not allowed into the examination room.
- A Scientific Calculator is allowed.
- This Paper consists of Three printed pages.

SECTION A

- 1 a) Cite 3 instances when demand becomes exceptional, repressive or abnormal. (6 marks)
- b) Describe the Concept of “Unstable equilibrium” (4 marks)
- c) Differentiate between “Point Elasticity of Demand” and “Arc Elasticity of Demand” (4 marks)
- d) Highlight 5 determinants of Price elasticity of supply? (5 marks)
- e) Define “an Indifference curve” (2 marks)
- f) Identify the 3 categories of the Production function? (3 marks)
- g) Differentiate between an “Isoquant” and an “Isocost” (2 marks)
- h) Define
- i) Unavoidable Costs
 - ii) Prime Costs (4 marks)

SECTION B

- 2 a) Define “ Monopoly” (2 marks)
- b) With the aid of a diagram explain equilibrium of the firm in Monopoly (14 marks)
- c) What are the Sources of Monopoly Power? (4 marks)
- 3 a) Describe i) “Maximum Price Controls” (5 marks)
- ii) “Minimum Price Controls” (5 marks)
 - iii) “Price Decontrol” (5 marks)
- and their effects in the theory of demand and supply?
- iv) illustrate the case of stable equilibrium using a diagram? (5 marks)
- 4 a) Identify the factors that determine Price Elasticity of Demand? (6 marks)
- b) Show the relationship between Price Elasticity of Demand and Total expenditure?(5 marks)

c) Outline the Importance of elasticity of Demand? (9 marks)

5 The total Cost equation in the Production of Beef at KMC is given as follows:-

$$C = 1000 + 100Q - 15Q^2 + Q^3$$

Where C = Cost measured in Shillings, while

Q= Quantity measured in Kilogrammes.

- a) Compute the total and average costs at the output level of 10 and 11 Kilogrammes? (6 marks)
- b) What is the marginal Cost of the 12th Kilogramme? (2 marks)
- c) Explain the Shape and relationship between AC, AVC, MC and AFC curves using relevant diagrams. (12 marks)