

THE TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS STUDIES

DEPARTMENT OF ACCOUNTING AND FINANCE

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) Describe and explain the function of the “Production Possibility Curve” ? (4 marks)
- b) Site FOUR reasons why we study Economics? (4 marks)
- c) Differentiate between “Positive” and “Normative” Economics? (2marks)
- d) Define “Effective Demand”? (2 marks)
- e) Explain “Veblen goods” ? (2 marks)
- f) Describe “ A black market” and its causes in the theory of Demand and Supply? (2 marks)
- g) Define i) “Price Elasticity of demand” (2 marks)
- ii) How do you calculate (i) above. (2 marks)

SECTION B

- 2 a) Differentiate between “The Short run” and “ The Long Run” in the theory of the firm in Perfect Competition. (8 marks)
- b) With the aid of Diagrams explain
- i) Normal Profits
- ii) supernormal Profits
- iii) Losses under Perfect Competition (12 marks)
- 3 a) Explain the “Law of diminishing returns” (8 marks)
- b) Describe the THREE fundamental Concepts of returns to scale
- i) Constant
- ii) Increasing
- iii) Decreasing returns to scale (12 marks)

4 a) Define i) Total Utility

ii) Marginal utility (4 Marks)

b) Highlight the “assumptions” or “axioms” which qualify an economic agent to be rational.

(8 marks)

c) Explain with Diagram the concept of “Consumer Surplus” (8 marks)

5 a) Explain the difference between fixed and variable costs. (4 marks)

b) distinguish between average and marginal Costs (4 marks)

c) Outline the main sources of internal economies of scale? (12 marks)