



**TECHNICAL UNIVERSITY OF MOMBASA**

**SCHOOL OF BUSINESS**

**MANAGEMENT SCIENCE DEPARTMENT**

**COURSE/CLASS:** BACHELOR OF COMMERCE

**UNIT CODE:** BFI 4102

**UNIT NAME:** INTRODUCTION TO MICRO ECONOMICS

**SERIES:** DECEMBER, 2016

**PAPER DURATION:** 2 HOURS

**NO OF STUDENTS:** 200

**INSTRUCTIONS TO CANDIDATES:**

Answer question ONE (Compulsory) and any other TWO questions.

**QUESTION ONE:**

- (a) Write brief notes on the following economic concepts; giving examples where necessary:-
- (i) Price elasticity of demand
  - (ii) Economic Resources
  - (iii) Internal economics of scale
  - (iv) Consumer sovereignty
  - (v) Free Market system **(20 marks)**
- (b) With the use of a graphical illustration, explain the **THREE** stages of production **(10 marks)**

**QUESTION TWO:**

- (a) Price controls can be said to be deliberate action by the government to artificially impose through legislation the prices of certain goods and services. What are the advantages of price controls to an economy **(10 marks)**
- (b) With the aid of a diagram, explain how price mechanism determines in the market **(10 marks)**

**QUESTION THREE:**

- (a) With the aid of an appropriate diagram, discuss the causes of exceptional demand curves **(10 marks)**
- (b) Outline and briefly explain the assumptions of the cardinal utility theory **(10 marks)**

**QUESTION FOUR:**

- (a) What do you understand by the term price discrimination? **(4 marks)**
- (b) Describe the conditions for the price discrimination possibility **(10 marks)**
- (c) Is price discrimination possible under perfect competition? Briefly explain your answer **(6 marks)**

**QUESTION FIVE:**

- (a) With the help of a diagram, explain how a monopolist firm maximizes profits in the short run **(10 marks)**
- (b) (i) Highlight **THREE** types of returns to scale **(3 marks)**

(ii) Outline and briefly discuss the circumstances that may lead to persistent disequilibrium in markets **(7 marks)**