



# TECHNICAL UNIVERSITY OF MOMBASA

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SCHOOL OF BUSINESS

DEPARTMENT OF MANAGEMENT SCIENCE

**UNIVERSITY EXAMINATION FOR:**

**BACHELOR OF BUSINESS ADMINISTRATION**

**BACHELOR OF COMMERCE**

**BFI 4102: INTRODUCTION TO MICRO ECONOMICS**

**END OF SEMESTER EXAMINATION**

**SERIES:**sept. ,2017

**TIME:**2HOURS

**DATE:**Pick DateSep2017

## Instructions to Candidates

You should have the following for this examination

*-Answer Booklet, examination pass and student ID*

This paper consists of **FIVE** questions. Attemptquestion ONE (Compulsory) and any other TWO questions.

**Do not write on the question paper.**

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## **Question ONE (Compulsory)**

- a) What does centeris paribus mean? and explain why this concept is useful to an economist ( 4 marks)
- b) Explain the three (3) steps in the Economic model building process ( 6 marks)
- c) Why does the distinction between a normative and positive statement matter in economics (4 Marks)
- d) With the aid of diagrams illustrate
- i) a positive shift in the demand curve

ii) a decrease in supply resulting in a new equilibrium position

( 6 marks)

e) When any factor that influences buying plans other than the price of the good changes, there is a change in demand. Give **four (4)** main factors that bring changes in demand (10 marks)

### Question TWO

A) Explain and Illustrate perfectly elastic demand, unit elastic demand and perfectly inelastic demand

(10 Marks)

B) The following is the demand schedule for a new Mega Chick franchise that sells Chips and Chicken. Below is the demand schedule for a chips and chicken combo being sold per hour

Price Ksh	Demand for chips and chicken combo (Per Hour)
200	50
250	45
300	40
350	35
400	30
450	25
500	20

i) Calculate the Price Elasticity of Demand when the price of the combo increases from 400ksh to 450ksh and indicate the type of elasticity in this case. (5 Marks)

ii) Define Income elasticity of demand. Assume that the income elasticity of demand for beef is 3 and the income elasticity of demand for chicken feet is -2 what does this mean?

(5 Marks)

### Question THREE

A. Define utility and using the budget line explain at which point a consumers satisfaction is maximised

(6 Marks)

ii) Define and explain the law of diminishing marginal Utility

(4 Marks)

**B**

- (i) Describe the three axioms or assumptions that govern the behavior of a consumer who is rational  
(6 Marks)
- (ii) State four (4) properties of indifference curves  
(4 Marks)

**Question FOUR**

- A) Discuss the three (3) types of business ownerships giving one advantage and disadvantage of each  
(10 Marks)
- B) Explain the concept of an Isoquant curve and Isocost curve giving properties of isoquants  
(10 Marks)

**Question FIVE**

- A) Explain the characteristics of a competitive market?  
(10 marks)
- B) What are the characteristics of a monopolistic market and explain how they use price discrimination  
(10 marks)