

TECHNICAL UNIVERSITY OF MOMBASA
SCHOOL OF BUSINESS
DEPARTMENT OF MANAGEMENT SCIENCE

DIPLOMA IN PROCUREMENT AND MATERIALS MANAGEMENT
DIPLOMA IN LOGISTICS AND TRANSPORT MANAGEMENT
DIPLOMA IN HUMAN RESOURCES MANAGEMENT
DIPLOMA IN BUSINESS ADMINISTRATION
DIPLOMA IN BUSINESS MANAGEMENT
DIPLOMA IN ACCOUNTANCY
DIPLOMA IN FRONT OFFICE

BAC2102 : MICROECONOMICS

END OF SEMESTER EXAMINATIONS

SERIES: APRIL/MAY 2016

TIME: 2HOURS

INSTRUCTIONS

This paper contains **FIVE** questions .Answer question **ONE (COMPULSORY)** and any other **TWO** questions

1a) Explain **FOUR** reasons why we study economics. (8marks)

b) Differentiate the following terms -:

- i. positive and normative economics (3marks)
- ii. microeconomics and macroeconomics (3marks)
- iii. budget line and indifference curve (3marks)
- iv. demand and supply(3marks)

c) What factors determine the price elasticity of supply of a commodity? (10marks)

2a) A single commodity market is defined by the following equations

$$Q=28p-11 \text{ and } Q=29+24P$$

- i. find equilibrium price and quantity show graphically (5marks)
- ii. clearly show graphically how consumers market and suppliers surplus is achieved (5marks)

b) For a market to be said to be perfectly competitive some conditions must be met.

Briefly explain **FIVE** of these conditions. (10marks)

3 ai) Define monopolistic competition. (2marks)

ii) Explain **FOUR** sources of monopoly power. (8marks)

b) Briefly explain the properties of indifference curves and graphically show how a consumer maximizes his utility subject to the budget constraint. (10marks)

4 a) Explain **FIVE** main characteristics of centrally planned economic system. (10marks)

B) What are the main characteristics of human wants? (10marks)

5 a) Explain **FIVE** factors that determine the supply of a commodity. (10marks)

b) Briefly explain the assumptions of the law of demand (10marks)

