



## **SCHOOL OF BUSINESS**

### **DEPARTMENT OF MANAGEMENT SCIENCE**

**DIPLOMA IN PROCUREMENT AND MATERIALS MANAGEMENT  
DIPLOMA IN HUMAN RESOURCE MANAGEMENT  
DIPLOMA IN BUSINESS ADMINISTRATION  
DIPLOMA IN BUSINESS MANAGEMENT  
DIPLOMA IN SALES MANAGEMENT  
DIPLOMA IN ACCOUNTANCY  
DIPLOMA IN SHIPPING**

**BAC 2102: MICROECONOMICS**

**END OF SEMESTER EXAMINATIONS**

**SERIES: AUGUST 2019**

**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.
- Cheating will lead to disqualification.

## **SECTION A (COMPULSORY)**

### **QUESTION ONE:**

- a) Write short notes on the following economic concepts:-
- (i) Shifts in supply curve
  - (ii) Budget line
  - (iii) Scarcity and Choice
  - (iv) Marginal rate of technical substitution
- (8 marks)**
- b) Distinguish between the following terms as used in Economics:-
- (i) Microeconomics vs. Macroeconomics **(3 marks)**
  - (ii) Isoquant vs. Isocost line. **(3 marks)**
- c) (i) Highlight instances where demand violates the law of demand. **(6 marks)**  
(ii) A single commodity market model is defined by the following functions:-

$$Q_a = 3P^2 - 4P$$

$$Q_b = 24 - P^2$$

### **Required;**

Compute the equilibrium price and quantity. **(4 marks)**

- d) Describe **THREE** characteristics of a perfect competition market structure. **(6 marks)**

## **SECTION B**

### **QUESTION TWO:**

- a) Highlight **THREE** assumptions of rationality as explained by the ordinalist in the theory of consumer. **(4 marks)**
- b) Briefly explain the properties of indifference curves and graphically show how a consumer can maximize his/her utility subject to budget constraints. **(12 marks)**
- c) Define equilibrium and graphically show how excess demand may occur. **(4 marks)**

***QUESTION THREE:***

- a) Examine **FIVE** factors causing arise of monopolies globally (10 marks)
- b) With the aid of a well labelled diagram, explain the concept of short run equilibrium under a monopoly firm. (10 marks)

***QUESTION FOUR:-***

- a) Briefly analyse the following cost concepts:-
- (i) Fixed cost
  - (ii) Variable cost
  - (iii) Marginal cost
  - (iv) Average Total Cost
  - (v) Average Fixed Cost
- (10 marks)
- b) With the aid of a well labelled diagram, explain the effect of an increase in price of good X on the consumer equilibrium point. (10 marks)

***QUESTION FIVE:***

- a) Describe **FIVE** advantages portrayed by a Free Market System (10 marks)
- b) Briefly discuss **FIVE** factors which affect the own price elasticity of demand (10 marks)