



## **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 terms:-

- (i) Shifts in demand curve
- (ii) Indifference curve
- (iii) Isocost line
- (iv) Cross elasticity of demand
- (v) Market equilibrium

**(10 marks)**

(b) The table below shows the demand and supply schedules for a product:-

Price (Ksh)	Quantity Demanded (Kgs)	Quantity Supplied (Kgs)
2	160	25
4	80	35
6	60	45
8	40	55
10	20	65
12	0	75

### **Required:**

- (i) Determine the demand and supply functions **(5 marks)**
- (ii) Compute the equilibrium price and equilibrium quantity **(5 marks)**

(c) Discuss any **FIVE** features of a monopolistic competition type of a market structure. **(10 marks)**

## **SECTION B**

### **QUESTION TWO:**

(a) With the aid of a well labelled diagram, explain the concept of the consumer equilibrium position. **(10 marks)**

(b) Outline **FIVE** economies of scale that arise when a firm produces enmass. **(10 marks)**

***QUESTION THREE:***

- (a) Explain **FIVE** factors that determine the price elasticity of supply. (10 marks)
- (b) (i) Graphically explain how a firm can produce at minimum cost (5 marks)  
(i) Diagrammatically explain the relationship between total product, average product and marginal product (5 marks)

***QUESTION FOUR:***

- (a) Illustrate the concept of short run equilibrium of a perfect competition market structure (10 marks)
- (b) (i) Define an isoquant (2 marks)  
(ii) Explain **THREE** properties of the isoquant (6 marks)
- (c) Differentiate between a Veblen good and a Giffen good. (2 marks)

***QUESTION FIVE:***

- (a) Discuss **FIVE** features of a centrally planned economic system. (10 marks)
- (b) With the aid of a well labelled diagram, explain how price mechanism determines the price of a commodity in the market. (10 marks)