



TECHNICAL UNIVERSITY

OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF MANAGEMENT SCIENCE

UNIVERSITY EXAMINATION FOR:

DEGREE

BFI 4102: INTRODUCTION TO MICROECONOMICS

END OF SEMESTER EXAMINATION

SERIES: AUGUST 2019

TIME: 2 HOURS

DATE: Pick Date Aug 2019

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

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

Do not write on the question paper.

Question ONE

- (a) Given the following demand schedules, derive the demand curves and interpret your results. **(8 Mks)**

PRICE	QUANTITY DEMANDED
10	100
20	90
30	80
40	70
50	60
60	50
70	40
80	30
90	20

- (b) A firm faces a demand curve defined as $P = 100 - 3Q$. If the Total Cost is given as

$C = 50 + 25Q$ compute the profit maximizing price and output and also the profits **(4 Mks)**

- (c) Explain the properties of isoquants, highlight the conditions of the Neoclassical theory of production
(6 Mks)
- (d) With the aid of a diagram explain how consumer maximizes his/her utility subject to his budget constraints, highlight conditions of the equilibrium.
(6 Mks)
- (e) Discuss the sources of monopoly power
(6Mks)

Question TWO

- (a) Graphically, examine the short run equilibrium of a firm in perfect competition. (10 Mks)
- (b) Discuss the features of a perfect competitive firm (8Mks)
- (c) There are 1000 buyers and 150 sellers in the market. If the demand function is given as $Q_d = 7 - 2.5P$ while the supply function is $Q_s = -5 + 3P$ compute the equilibrium price and quantity

Question THREE

- (a) Explain **four** importance of elasticity concepts (8 Mks)
- (b) Using graphs, distinguish between price change on demand and changes in any of the influencing factor of an individual demand of a commodity (12 Mks)

Question FOUR

- (c) Using a relevant diagram, illustrate the price and income effect in indifference curves (12 Mks)
- (d) Discuss four factors that affect supply for a commodity (8 Mks)

Question FIVE

Write short notes on the following economic concepts

- (a) Opportunity cost (5 Mks)
- (b) Isoquant (5 Mks)
- (c) Engel curves (5 Mks)
- (d) Production function (5 Mks)