



TECHNICAL UNIVERSITY OF MOMBASA

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SCHOOL OF BUSINESS  
DEPARTMENT OF MANAGEMENT SCIENCE  
**UNIVERSITY EXAMINATION FOR:**Type program name  
DIPLOMA IN HUMAN RESOURCE MANAGEMENT  
DIPLOMA IN BUSINESS MANAGEMENT  
DIPLOMA IN PURCHASING AND MATERIALS MANAGEMENT  
DIPLOMA IN FRONT OFFICE  
DIPLOMA IN SALES MANAGEMENT  
DIPLOMA IN BUSINESS ADMINISTRATION  
DIPLOMA IN ACCOUNTING  
DIPLOMA IN SHIPPING  
DIPLOMA IN SECRETARIAL STUDIES

BAC2102 MICROECONOMICS  
END OF SEMESTER EXAMINATION

**SERIES: APRIL, 2022**

**TIME:2HOURS**

**DATE:Pick DateApr2022**

**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.**

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**Question ONE**

- (a) Highlight **four** reasons for studying economics. **(4Mks)**
- (b) Point out **four** characteristics of a free economic system. **(8Mks)**
- (c) Discuss the **three** phases of the law of diminishing marginal returns **(6Mks)**
- (d) When the price of a cake increased from Ksh. 20 to Ksh. 22, the quantity of cakes demanded decreased from 100 to 87.
  - (i) Determine the price elasticity of demand for cakes. **(2Mks)**

- (ii) What type of price elasticity is this? (2Mks)  
(e) Present **four** differences between monopolistic competition and perfect competition market.(8Mks)

### Question TWO

- (a) Using a well labelled diagram, illustrate the law of diminishing marginal utility. (10 Mks)  
(b) Discuss **four** sources of monopoly power. (10 Mks)

### Question THREE

- (a) A market is described by the following functions:

$$\begin{aligned} \text{(a)} \quad Q_s &= 128 + 8P \\ Q_d &= 478 - 6P \end{aligned}$$

Calculate the equilibrium values of the following variables.

- (i) Equilibrium Price  
(ii) Equilibrium quantity

(8Mks)

- (b) Using graphs, distinguish between a change in demand and a change in quantity demanded.

(12 Mks)

### Question FOUR

- (a) Using a relevant diagram, illustrate the price and income effect in indifference curves (12Mks)  
(b) 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) Monopolistic competition. (5 Mks)  
(c) Marginal utility. (5 Mks)  
(d) Factors of production. (5 Mks)

