



TECHNICAL UNIVERSITY OF MOMBASA

Faculty of Business & Social Studies

DEPARTMENT OF COMPUTER SCIENCE & TECHNOLOGY

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF SCIENCE IN INFORMATION TECHNOLOGY

HBC 2107: INTRODUCTION TO MICRO-ECONOMICS

SUPPLEMENTARY/SPECIAL EXAMINATIONS

SERIES: FEBRUARY 2013

TIME: 2 HOURS

INSTRUCTIONS:

– Answer Question **ONE (Compulsory)** and any other **TWO** questions.

This paper consists of Three printed pages

QUESTION 1 (Compulsory)

- a) Briefly explain the meaning of these terms. **(10 marks)**
- i) General equilibrium **(2 marks)**
 - ii) Market equilibrium point **(2 marks)**
 - iii) Pareto optimality **(2 marks)**
 - iv) Shift of supply curve **(2 marks)**
 - v) Break even point of a firm. **(2 marks)**
- b) List the assumptions of the indifference curve approach. **(4 marks)**
- c) Highlight **THREE** factors causing an outward shift movement of supply curve. **(3 marks)**
- d) State the **FIVE** major assumptions that are made under cardinal approach in the analysis of consumer behaviour. **(5 marks)**
- e) Given the following data: Price of coffee Ksh. 13
Demand of tea 13 Tonnes
New price of coffee Ksh. 15

New demand of tea 16 tonnes

- i) Identify the elasticity. (2 marks)
- ii) Calculate the elasticity of demand. (4 marks)
- iii) Interpret the results in (ii) above. (2 marks)

QUESTION 2

- a) Describe the conditions for perfect competition. (10 marks)
- b) With the help of diagrams, explain the circumstances under which disequilibrium could exist in the market. (10 marks)

QUESTION 3

- a) With the help of diagrams explain **FIVE** factors that cause an inward shift of demand curve. (10 marks)
- b) Highlight **FIVE** assumptions of the general equilibrium. (5 marks)
- c) List the properties of the indifference curve approach. (5 marks)

QUESTION 4

- a) Explain and illustrate the derivation of demand curve using the cardinal approach. (10 marks)
- b) Explain **FIVE** possible areas where technology is applied in Economics. (10 marks)

QUESTION 5

Briefly but clearly distinguish between any **FIVE** of the following pairs of concepts marks will be awarded for tidy and correct diagrams used where necessary. (20 marks)

- a) Pareto efficiency and market equilibrium point. (4 marks)
- b) Equilibrium point of a firm and break even point of a firm. (4 marks)
- c) Production function and isoquant. (4 marks)
- d) Partial equilibrium and general equilibrium. (4 marks)
- e) Perfect competition and imperfect competition. (4 marks)
- f) Movement along supply curve and shift of supply curve. (4 marks)
- g) Price discrimination and price leadership (4 marks)