THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE

(A Constituent College of JKUAT)

Faculty of Engineering & Technology

DEPARTMENT COMPUTER SCIENCE & INFORMATION TECHNOLOGY

BACHELOR OF SCIENCE IN INFORATION TECHNOLOGY

HBC 2107: INTRODUCTION TO MICRO-ECONOMICS

SPECIAL/SUPPLEMENTARY EXAMINATION

SERIES: FEBRUARY/MARCH 2012
TIME: 2 HOURS

Instructions to Candidates:
You should have the following for this examination
- *Answer Booklet*

This paper consist of **FIVE** questions in **TWO** sections **A** & **B**
Answer question **ONE (COMPULSORY)** and any other **TWO** questions
Maximum marks for each part of a question are as shown
This paper consists of **TWO** printed pages

Question one

a) With the aid of well-labelled diagrams, distinguish between price floors and price ceilings

(6marks)

b) A monopoly firm is faced with the following demand function

P = 13 – 0.5Q The Marginal Cost function for the firm is given by 3 + 4Q.

Determine the profit maximizing output   (6 marks)

c) Explain the meaning of mobility of factors of production. To what extent are factors of production mobile?   (7marks)

d) Explain what is meant by the terms transfer earnings and economic rent of a factor of

production.   (4 marks)

e) Using indifference curve and budget line demonstrate consumer equilibrium position (4marks)

f) State the three basic economic questions/problems which every economy seeks to answer

(3marks)

SECTION B (Answer any two questions)

Question two

a) What is meant by economies and diseconomies of scale?   (6marks)
b) What are the main factors of production?   (4marks)
c) Discuss the significance of price elasticity of demand   (10 marks)

Question three

a) Briefly explain how price is determined in an oligopoly market   (10marks)

b) Explain various uses of indifference curve analysis   (10 marks)

Question four

a) Discuss various advantages and disadvantages of division of labour   (10marks)

b) Explain the features of a free market economy   (10marks)

Question five

a) Explain the concept feedback effects of price changes and how general equilibrium analysis is useful in determining this effects   (10marks)

b) With the help of a well labelled diagram explain the relationship between the fixed costs, average fixed costs, average variable cost average total costs and marginal cost curves (10marks)