



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR

FIRST YEAR 1ST SEMESTER
MAIN EXAMINATIONS

**FOR THE DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURAL
ECONOMICS & RESOURCE MANAGEMENT**

COURSE CODE: AEC 112

COURSE TITLE: INTRODUCTION TO MICROECONOMICS

DATE: 19TH MAY 2021

TIME: 9 – 11 AM

INSTRUCTIONS TO CANDIDATES

Answer Question One and any other two (2) Questions.

TIME: 2 Hours

This paper consists of 2 printed pages. Please Turn Over



KIBU observes ZERO tolerance to examination cheating

Q1.

Write short notes on the following

- a) Individual demand schedule and market demand schedule (4 Marks)
- b) Perfectly elastic and perfectly inelastic supply (4 Marks)
- c) Inferior and Giffen goods (4 Marks)
- d) Free enterprise economies and centrally planned economies (4 Marks)
- e) Isoquants and isocosts (4 Marks)
- f) Economies and diseconomies of scale (4 Marks)
- g) Diminishing marginal returns (4 Marks)
- h) Marginal physical product (2 Marks)

Q2.

- a) Explain the factors influencing elasticity of demand (10 marks)
- b) Explain the characteristics of a perfectly competitive market (10 marks)

Q3.

- a) Explain the determinants of a shift in a supply curve (10 marks)
- b) Explain the advantages of mixed economies (10 marks)

Q4.

- a) Illustrate and explain the three stages associated with the law of variable proportions.

(12 marks)

- b) The following represent the demand and supply functions for DVD's by John.

$$\text{Demand: } QD = 3000 - 200P$$

$$\text{Supply: } Qs = 1400 + 260P$$

Required

- i) Determine equilibrium price (4 marks)
- ii) Determine equilibrium quantities (4 marks)

Q5.

Consider a firm operating in the short-run with a fixed amount of capital (1 unit) and a variable amount of labour. Suppose the cost of the single unit of capital is Ksh500 and the cost of hiring each worker is Ksh200.

Table: Farm's output and costs

Labour input	Capital input	Total product	Variable costs	Fixed cost	Total cost	Marginal cost
0	1	0				
1	1	5				
2	1	15				
3	1	23				
4	1	27				
5	1	29				
6	1	30				
7	1	28				
8	1	26				
9	1	24				

Required

- i) Derive the firm's total fixed costs. (5 marks)
- ii) Derive the firm's total variable costs. (5 marks)
- iii) Derive the firm's total costs. (5 marks)
- iv) Derive the firm's marginal costs. (5 marks)