



(Knowledge for Development)

KIBABII UNIVERSITY

**UNIVERSITY EXAMINATIONS
2019/2020 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER
SPECIAL/SUPPLEMENTARY EXAMINATION
FOR THE DEGREE OF BACHELOR OF COMMERCE AND
EDUCATION**

COURSE CODE: ECO 311

COURSE TITLE: MANAGERIAL ECONOMICS

TIME: 2 HOURS Time: 2 Hours 4th Feb, 2021

INSTRUCTIONS

Attempt Question ONE and Any other TWO Questions

QUESTION ONE (30 marks)

1. Managerial economics is concerned with theories and concepts associated with decision making in business under various economic situations.

- Explain the full meaning of a business. (5 marks)
- Discuss five steps that management takes while making a decision. (5 marks)
- Citing examples explain any five decisions of a firm. (10 marks)
- Discuss the controllable factors that influence the demand of a product. (10 marks)

SECTION B

2a) Differentiate between the following economic concepts.

- i) Elastic and Inelastic demand
- ii) Monopoly and monopolistic markets
- iii) Complementary and giffen goods (20 marks)

QUESTION THREE

a) Discuss factors that determine gross domestic incomes in Kenya (10 marks)

b) Given $Q_s = Q_d$

Where Q_s = quantity supplied and Q_d = quantity demanded.

Determine equilibrium price and equilibrium quantity for firm in market under the following model:

$$Q_d = 18 - 2p$$

$$Q_s = -6 + 6p \quad (10 \text{ marks}).$$

QUESTION FOUR

Discuss a purely competitive market situation and cite its shortcomings. (10 marks)

QUESTION FIVE

a) Explain the difference between a short run and long run period of a firm. (10 marks).

b) Discuss the cardinalists' assumptions in consumer theory. (10 marks)