



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR

FIRST YEAR 1ST SEMESTER
SPECIAL/SUPPLEMENTARY EXAMINATIONS

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

COURSE CODE: AEC 112

COURSE TITLE: INTRODUCTION TO MICROECONOMICS

DATE: 29TH SEPTEMBER 2021

TIME: 11AM – 1 PM

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 curve and market demand curve (4 Marks)
- b) Perfectly elastic and perfectly inelastic demand (4 Marks)
- c) Average physical product and marginal physical product (4 Marks)
- d) Short run and long run costs (4 Marks)
- e) Point and arc price elasticities of demand (4 Marks)
- f) Increasing and decreasing returns to scale (4 Marks)
- g) Opportunity cost (4 Marks)
- h) Variable costs (2 Marks)

Q2.

- a) Explain the causes of internal economies of scale (10 marks)
- b) Explain the factors influencing the choice of a factor of production (10 marks)

Q3.

- a) Explain the determinants of a shift in a demand curve (10 marks)
- b) Explain the advantages of free enterprise economies (10 marks)

Q4.

- a) Explain the sources of internal diseconomies of scale (10 marks)
- b) The following represent the demand and supply functions for DVD's by John.

$$Y = 100 - 2P$$

$$Z = 40 + 4P$$

Required

- i) Determine the demand and supply functions, giving reasons for your answer (4 marks)

- ii) Determine equilibrium price
- iii) Determine equilibrium quantities

(3 marks)

(3 marks)

Q5.

The table below shows the demand and supply schedules for a product.

Price (Sh. Kg.)	Per	Demand (Kg)	Supply (Kg.)
10		100	20
20		85	36
30		70	53
40		55	70
50		40	87
60		25	103
70		10	120

Required:

- i. Plot the demand and supply curves (10 marks)
- ii. Determine the equilibrium price and quantity (4 marks)
- iii. Explain any Three factors that may cause a fall in the supply of a good in the markets. (6 marks)