



(Knowledge for Development)

KENYA UNIVERSITIES STAFF UNION
25 AUG 2021
KIBABII UNIVERSITY BRANCH
P. O. Box 1699-50200, BUNGOMA

**KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS**

2021/2022 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER

MAIN EXAMINATIONS (EVENING/WEEKEND)

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: ECO 310/201/211

COURSE TITLE: INTERMEDIATE MICROECONOMICS

DATE: 25TH MAY, 2022 TIME: 9.00AM-11.30AM

INSTRUCTIONS TO CANDIDATES

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question one carries 30 marks and each of the other two questions carry 20 marks each.

TIME: 2 Hours

KIBU Observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.

SECTION A

SECTION A (COMPULSORY)

QUESTION ONE

- (a). Explain FOUR benefits of specialization. (6 marks).
- (b). Distinguish between short run and long run as applied in economics. (5 marks).
- (c). Explain four possible benefits of a perfect market. (8 marks).
- (d). With use of a well- labelled diagram, explain the concept of consumer equilibrium. (11 marks).

SECTION B (ANSWER ANY TWO QUESTIONS FROM THIS SECTION)

QUESTION TWO

- (a) Explain THREE features of oligopoly. (6 marks)
- (b) Using a well- labelled diagram, explain the income consumption curve. (4 marks)
- (c) Discuss FIVE disadvantages of specialization. (10 marks)

QUESTION THREE

- (a) Discuss fully the three main stages associated with the law of variable proportions (12 marks)
- (b) Using a well-labelled diagram, explain the concept of income and substitution effects of price change. (8 marks)

QUESTION FOUR

- (a) Define an Isoquant and explain any THREE of its characteristics? (8 marks)
- (b) Explain the 'kinked' demand curve under oligopolistic competition.. (4 marks).
- (c) Distinguish between Cardinal and Ordinal utilities. (4 marks)
- (d) Using a well labelled diagram, explain Income consumption curve.. (4 marks).

QUESTION FOUR

- (a) Highlight FOUR types of internal diseconomies of scale. (4 marks)
- (b) Differentiate between Fixed and Variable costs of production. (4 marks)
- (c) Explain THREE arguments in favour of monopolies. (6 marks)
- (d) Illustrate diagrammatically output levels for profit maximising monopolist firm in the short run (6 marks)

QUESTION FIVE

The following data represent the Cost and Revenue schedules of a Pure monopolist.

QUANTITY	TOTAL REVENUE(\$)	TOTAL COST(\$)
5	500	350
10	900	550
15	1200	675
20	1400	800
25	1500	1125
30	1500	1800
35	1400	2800

- (a) Calculate AR, MR, ATC, and MC. (6 marks)
- (b) Plot AR, MR, ATC and MC schedules on the same graph and estimate the profit-maximising price and quantity. (10 marks)
- (c) Estimate the firm's Total Profit. (4 marks)