(KNOWLEDGE FOR DEVELOPMENT)
KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2017/2018 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE/EDUCATION

COURSE CODE: ECO 101/110

COURSE TITLE: INTRODUCTION TO MICROECONOMICS

DATE: 10TH AUGUST, 2018   **TIME: 9.00AM -11.00AM**

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE IN SECTION A AND ANY OTHER TWO (2) QUESTIONS IN SECTION B

TIME: 2 HOURS

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over.

SECTION A (COMPULSORY)

QUESTION ONE.
Write short notes on the following:
(a) Scarcity and choice (5mks)
(b) Price elasticity of demand (5mks)
(c) Positive economics vs. normative economics (5mks)
(d) Define the term "opportunity cost" (5mks)
(e) Explain FIVE ways in which the study of Economics is important (5mks)
(f) Highlight FIVE advantages of specialization (5 marks)

SECTION B (ANSWER ANT TWO QUESTIONS FROM THIS SECTION)

QUESTION TWO.
(a) With aid of a well-labeled diagram, distinguish between movement along the supply curve and shift in supply curve (8 mks)
(b) Explain THREE characteristics of oligopoly? (6mks)
(c) Using a well illustrated diagram, explain why prices are "sticky" downward under oligopolistic market (6 mks)

QUESTION THREE.
(a) Explain five assumptions associated to perfect competition (10mks)
(b) Using relevant examples, describe five ways in which a firm may acquire monopoly position (10mks)

QUESTION FOUR.
(a) Explain six barriers to the mobility of labour. (10 mks)
(b) With aid of an appropriate diagram, explain how the price of a commodity is determined in a free market situation. (10 mks)

QUESTION FIVE

(a) Using ordinal approach show clearly and describe the equilibrium position of a rational consumer (10 mks)
(b) Given the following cost function;
$C = 2Q - 4Q \ Q + 3Q + 17$
Find:
 (i)   The Fixed Costs (FC)   (2mks)

 (ii)   The Average Variable Costs with respect to Q1 (AVC) (2mks)

 (iii)   The Average Total Cost with respect to Q2 (ATC)   (3mks)

 (iv)   The Average Fixed Costs with respect to Q1 (AFC)   (3 mks)