

15



*(Knowledge for Development)*

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2017/2018 ACADEMIC YEAR**  
**FOURTH YEAR 1ST SEMESTER**  
**MAIN EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF EDUCATION**  
**(PART TIME)**

**COURSE CODE:** ECO 101

**COURSE TITLE:** INTRODUCTION TO MICROECONOMICS

**DATE:** 05/12/ 2018 **TIME:** 3.30 PM- 5.30 P.M

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**INSTRUCTIONS TO CANDIDATES**

Answer Question One in Section A and any other (2) Questions in Section B

TIME: 2 Hours

## SECTION A (COMPULSORY)

### QUESTION ONE

- a. Highlight four features of a command economy. (8mks)
- b. Macron is an advertising agencies which want to increase the demand for its products. Outline four factors affecting the advertising policies of its products. (8mks)
- c. Identify three reasons that will prompt the government to impose a price control policy on some essential commodities. (6mks)
- d. Highlight four barriers to mobility of labour in a developing economy like Kenya. (4mks)
- e. Outline four decisions a firm can make in the long run in production of goods (4mks)

## SECTION B (CHOOSE ANY TWO QUESTIONS)

### QUESTION TWO

- a. Describe five limitations of consumer sovereignty. (10mks)
- b. Write notes on the following concepts:-
  - i. Scarcity and choice (3mks)
  - ii. Opportunity cost (2mks)
  - iii. Production possibility frontier (2mks)
  - iv. Positive and normative economics (3mks)

### QUESTION THREE

- a) The following relates to the supply and demand functions in a two commodity market model.  
 $Q_{dA} = 82 - 3P_A + P_B$   
 $Q_{SA} = -5 + 15P_A$   
 $Q_{dB} = 92 - 2P_A - 4P_B$   
 $Q_{SB} = 6 + 32P_B$

Required:-

- (i) Explain the relationship between the two commodities (6 MKS)
  - (ii) The equilibrium price and quality of each of the two commodities. (4 MKS)
- b)
- (i) With the aid of a well labeled diagram distinguish between shift in the demand curve and movements along the demand curve. (6 MKS)
  - (ii) Outline four factors that could lead to right-hand shift in the demand curve (4 MKS)

#### **QUESTION FOUR**

- a) Explain the importance of elasticity of supply in economic decision making. (8 MKS)
- b) (i) With the aid of a diagram briefly explain the characteristics of indifference curves (6 MKS)
- (ii) Outline three limitations of indifference curves in economic analysis. (6 MKS)

#### **QUESTION FIVE**

- a) A firm operating in a perfectly competitions market has to sell at its output at the price of Sh. 10 per unit its marginal cost function is given by  $Q + 4$  and the total fixed cost is 1.
  - (i) The profit maximizing output level (5 MKS)
  - (ii) The level of supernormal profit if any (5MKS)
- b) Describe five sources of external diseconomies of scale. (10 MKS)

#### **QUESTION SIX**

- a) In the context of are oligopoly market explains the concept of kinked demand curve. (6 MKS)
- b) Analyze positive and three negative effects of monopoly market structure in an economy (6 MKS)
- c) What determinants the supply and demand of the factors of production in an economy? (6 MKS)