



*(Knowledge for Development)*

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2017/2018 ACADEMIC YEAR**

**FIRST YEAR 1ST SEMESTER**  
**MAIN EXAMINATIONS**

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

**COURSE CODE: ECO 101**

**COURSE TITLE: INTRODUCTION TO MICROECONOMICS**

**DATE: 11<sup>TH</sup> JANUARY 2018**

**TIME: 2 – 4 PM**

---

**INSTRUCTIONS TO CANDIDATES**

Answer Question ONE and any other two (2) Questions.

TIME: 2 Hours

This paper consists of 3 printed pages. Please Turn Over



KIBU observes ZERO tolerance to examination cheating

**Q1.**

- a) The following represent the demand and supply functions for DVD's by John.

$$\text{Demand: } QD = 3550 - 266P$$

$$\text{Supply: } Qs = 1800 + 240P$$

**Required**

- i) Determine equilibrium price **(3 marks)**
  - ii) Determine equilibrium quantities **(3 marks)**
  - iii) Using indifferent curve analysis, demonstrate how a household's equilibrium point is attained. **(4 marks)**
- b) Write brief notes on the following terms:
- i) Scarcity and choice. **(4 marks)**
  - ii) Diminishing marginal utility. **(4 marks)**
  - iii) Price elasticity of demand. **(4 marks)**
  - iv) Income elasticity of demand. **(4 marks)**
  - v) Substitution and income effects of a price change. **(4 marks)**

**Q2.**

- a) Discuss the characteristics of a perfectly competitive market **(10 marks)**
- b) Explain the factors influencing the supply of a commodity **(10 marks)**

**Q3.**

- a) Explain the advantages of a free economy **(10 marks)**
- b) State the determinants of a shift in a demand curve **(10 marks)**

Q4.

- (a) Citing relevant examples, explain the exceptions to the law of diminishing marginal utility **(8 marks)**
- (b) Illustrate and explain the three stages associated with the law of variable proportions. **(12 marks)**