(*Knowledge for Development*)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER
MAIN EXAMINATION

FOR THE DEGREEOF BACHELOR OF EDUCATION

COURSE CODE:ECO311

COURSE TITLE:MANAGERIAL ECONOMICS

DATE:1ST SEPTEMBER,2022   **TIME**:2.00PM – 4.00PM

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

SECTION A

QUESTION ONE

a. Debate on three importance of studying economics for a manager of a business firm (6 marks)

b. There seems to exist a gap between theory and practice in the world of economic thinking and behavior. Provide any three justification to this assertion.   (6 marks)

c. Explain any four features of perfect competition market structure   (8 marks)

d. Using a well labeled diagram, evaluate the Marginal Conditions of Profit Maximization for a firm (10 marks)

SECTION B

QUESTION TWO

a. Discuss the factors that may cause an increase demand of a product   (10 marks)

b. Analyse the factors that cause swings in Business activity   (10 marks)

QUESTION THREE

a. Consider the following hypothetical past data on the demand for sugar for the years 2000 to 2006 in country A

Year	Population (millions) (X_i)	Quantity of sugar demanded (in million tonnes) (Y_i)
2010	10	40
2011	12	50
2012	15	60
2013	20	70
2014	25	80
2015	30	90
2016	40	100

Using this hypothetical data,

i.   calculate the terms of Linear Equations in Simple Regression (6 marks)

ii.   Estimated regression equation between X and Y (2 marks)

iii.   Suppose the population for the year 2018 is projected to be 100 million, forecast the demand for sugar in that year (2 marks)

b. Left on their own monopoly will exploit the customers in their quest to maximize profits. Explain any methods the government may use to control monopoly's practices (10 marks)

QUESTION FOUR

a. Suppose that the unit price of a commodity is defined by: $P = 100 - 2Q$ and the total cost of producing this commodity is defined by the cost function: $TC = 100 + 0.5Q^2$. Compute the output that will maximize the profit level of this firm   (10 marks)

b. In their operations, businesses incur several types of costs. Propose any five of such costs an giving example in each case   (10 marks)

QUESTION FIVE

a. Evaluate any five theories of profit.   (10 marks)

b. There are several sources of economies of scale that cause a downward movement along the long-run average cost curve. Asses any five Internal Economies of Scale that may accrue to a firm.
(10 marks)