

IS



*(Knowledge for Development)*

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2016/2017 ACADEMIC YEAR**  
**SECOND YEAR SECOND SEMESTER**  
**SUPPLIMENTARY EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF EDUCATION**

**COURSE CODE: INTERMEDIATE MICRO-ECONOMICS**

**COURSE TITLE: ECO 201/310**

**DATE: 27/09/2017      TIME: 8.00 - 10.00 A.M**

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**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

**SECTION A (COMPULSORY)****Q1**

(a) Write short notes on:

- (i) Isocosts (2 marks)
- (ii) Isoquants (3 marks)
- (iii) Short run and long run (3 marks)
- (iv) Supernormal profit (2 marks)

b) State five characteristics of perfect competition (4 marks)

(c) What is a kinked demand curve (4 marks)

(d) Explain the meaning of mobility of factors of production (4 marks)

e) Explain FOUR characteristics of indifference curves (8 marks)

**SECTION B (ANSWER ANY TWO QUESTIONS FROM THIS SECTION)****Q2.**

- (a) State the law of variable proportions (2 marks)
- (b) With help of a well labelled diagram, discuss fully the three main stages associated with the law (10 marks)
- (c) There are many shops selling one product, prices are same and the brand too, explain what type of a market structure it is, assumptions and features. (8 marks)

**Q3**

The total cost equation in the production of bacon at some hypothetical factory is

$$C = 1000 + 100Q - 15Q^2 + Q^3$$

Where C = Cost measured in shillings, while Q = quantity measured in kilogrammes.

- a) Compute the total and average costs at output level of 10 and 11 kilogrammes. (4 marks)
- b) What is the Marginal cost of the 12<sup>th</sup> Kilogramme? (4 marks)
- c) Explain the shape and relationship between AC, AVC, MC and AFC curves using relevant diagrams. (12 marks)

**(Total: 20 marks)**

**Q4.**

- (a) Identify the conditions under which price discrimination is possible (6mks)
- (b) Explain the various features of a perfectly competitive market (8mks)
- (c) Write the help of a diagram explain the short-run equilibrium of a firm in case of losses (6mks)

**Q5**

- a) Explain FOUR internal diseconomies of scale. (8 marks)
- b) Distinguish between cardinal and ordinal approaches to the measurement of utility. (4 marks)
- c) Discuss any FOUR differences between monopoly and monopolistic competition. (8 marks)