



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2016/2017 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER
SPECIAL/SUPPLEMENTARY EXAMINATION
FOR THE DEGREE OF BACHELOR OF EDUCATION

COURSE CODE: ECO 314/BBM 314
COURSE TITLE: MANAGERIAL ECONOMICS

DATE: 20/09/2017 **TIME: 11.30 AM - 1.30 PM**

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 3 Printed Pages. Please Turn Over. ►

SECTION A

QUESTION ONE (30mks)

- a) Osho Ltd has just launched a new product in the market they got advise of their managerial economist on the pricing strategies. Discuss how the managerial economist would apply the pricing strategies.
- b) Explain the discipline that contributes to managerial economics.
- c) How does micro economic theory inform as a regards demand and demand forecasting in relation to product produced by the firm
- d) Discuss the production in the short run in relation to three stages of production and at what stage would a rational producer operate?

SECTION B

QUESTION TWO (20mks)

- a) Find the derivates of the following functions

i) $y=5$.

ii) $y=2x+\alpha$ $\alpha=\text{constant}$

iii) $y=(3x+1).(2x^2+x)$

- b). a discriminating monopolist has the following demand functions corresponding to the rural urban markets for its product:

$$Q_R=21-0.1P_R$$

$$Q_U=50-0.4P_U$$

Total cost

$$TC=200+10Q$$

Find

i) Q_U

ii) Q_R

iii) P_U

iv) P_R

QUESTION THREE (20mks)

- a) Discuss how a perfectly competitive firm operates in the short run
- b) Explain the application of the game theory in managerial economics

c) Show the relationship between Total Revenue, Average Revenue and Price

QUESTION FOUR (20mks)

A firm has the following production

$Q=100L.K$. The firm purchases labour at Sh.6 per unit and capital at Sh.4 per unit .if production quota is imposed at 600 units of output (Q)

a). Set up cost minimization problem for($Q=600$).

b).Lagrangian function.

c) Critical values of K,L and λ 's

d) Second order condition.

e) What is the cost level?

QUESTION FIVE (20mks)

a) Discuss types of costs and its implication to the firm's optimal production.

b) Explain types of economic of scale.

c) Briefly highlight conditions for profit maximizations.