



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER

SUPPLEMENTARY EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: ECO 311

COURSE TITLE: MANAGERIAL ECONOMICS.

DATE: 14TH NOVEMBER, 2022

TIME: 11.00AM – 1.00PM

INSTRUCTIONS TO CANDIDATES

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

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over.

SECTION A

QUESTION ONE

- What do you understand by the term managerial economics and what is its importance to the management of an organization (8 marks)
- Describe the steps to be followed in decision making by business management (6 marks)
- The demand curve of a normal product has a negative slope. Explain three exceptions to the law of demand (9 marks)
- 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: $TC = 100 + 0.5Q^2$. Find the output that will maximize the profit level of this firm (7 marks)

SECTION B

QUESTION TWO

- Discuss the factors that may cause an increase demand of a product (10 marks)
- Using a well labeled diagram explain the Marginal Conditions of Profit Maximization for a firm (10 marks)

QUESTION THREE

- 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. Discuss any methods the government may use to control monopoly's practices (10 marks)

QUESTION FOUR

- a. Using appropriate examples explain the Nash equilibrium and its applicability in decision making for businesses (10 marks)
- b. In their operations, businesses incur several types of costs. Name and explain any five of such costs an giving example in each case (10 marks)

QUESTION FIVE

- a. Explain the sources of innovations that a firms' management may introduce in its manufacturing and distribution techniques of its goods so as to earn profits according to Schumpeter's Innovation Theory of Profit (10 marks)
- b. Using the appropriate diagram explain the various phases of a business cycle and their relevance to a business firm (10 marks)