



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR
FIRST YEAR FIRST SEMESTER
SUPPLEMENTARY EXAMINATION
FOR THE DEGREE OF BACHELOR OF EDUCATION (ARTS)
COURSE CODE: ECO 111/ECO112

COURSE TITLE: INTRODUCTION TO MICROECONOMICS.

DATE: 1ST AUGUST, 2023

TIME: 2.00PM – 4.00PM

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.

- a. Differentiate between micro economics and macroeconomics (4 marks)
- b. Explain five features of a free market economy. (10marks)
- c. Explain three reasons that the government may find it necessary to control the prices of certain goods/service (6 marks)
- d. Suppose the marginal cost function of a firm operating in the short run is given by $MC = 2Q + 9$. Find
- the total cost function
 - The average variable cost function
 - Calculate the average fixed cost where $Q=3$
 - At what level of output will a firm minimize its average total cost and average variable cost in the short run. (8 Marks)

SECTION B.

QUESTION TWO

- a. Using a well-labelled diagram describe how the market mechanism will correct itself after a disturbance caused by expansion in the supply of a product. (10 marks)
- b. Explain the application of the law of equal marginal utility (10 marks)

QUESTION THREE

- a. Explain the assumptions of the indifference curves approach in explaining consumer behaviour
- b. Discuss the merits of government interfering with the price set by the mechanism of demand and supply on the market

(10 marks)

QUESTION FOUR

- a. The following table shows the quantities of Potatoes on bought on Chwele market in the firshalf of this year

Month	January	February	March	April	May	June
Quantity (number of bags)	76	73	72	70	69	65

Explain fivelikely reasons that led to this trends (10 marks)

- c. Discuss the equilibrium of an oligopolistic firm facing kinked demand curve. (10 marks)

QUESTION FIVE

- a. Explain fiveeconomic applicationof price elasticity of demand(10 Marks).