



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
2ND YEAR 1ST SEMESTER 2016/2017 ACADEMIC YEAR
KISII CAMPUS-PART TIME

COURSE CODE: AEC 201

COURSE TITLE: INTERMEDIATE MICRO ECONOMICS

EXAM VENUE:

STREAM: (BBA)

DATE:

EXAM SESSION:

TIME: 2 HOURS

Instructions:

1. Answer Question ONE (COMPULSORY) and ANY other 2 questions
2. Candidates are advised not to write on the question paper.
3. Candidates must hand in their answer booklets to the invigilator while in the examination room.

QUESTION 1

a) Explain this terms

- i. Budget line[2mks]
- ii. Cordial utility[2mks]
- iii. Accelerator[2mks]
- iv. Ordinal utility[2mks]

b) Explain with the help of a diagram , the properties of indifference curves(6mks)

- c) Describe the characteristics of a perfect competitive market [5mks]
- d) Highlight and discuss the sources of monopoly power (6mks)
- e) Outline and explain the causes of wage differentials in Kenya (5mks)

QUESTION 2

- a) Illustrate by use of a diagram the profit maximizing output of a firm in a perfectly competitive market structure [6mks]
- b) Graphically demonstrate the relationship between AVC,ATG, and MC[8mks]
- c) Briefly discuss the law of equi-marginal and equilibrium of the consumer [6mks]

QUESTION 3

- a) The following table shows a schedule of industrial demand

P _x	Q _x	Q _y
4	10	2
6	8	5
8	6	8
10	4	11

- b) Calculate cross elasticity of demand when prices of goods x is 4[p=4] [10mks]
- c) Using results in a above, comment on the relationship between x and y [10mks]

QUESTION 4

- a) Highlight and explain the characteristics of a free market system[7mks]
- b) Outline and discuss the factors that affect demand of a commodity[6mks]
- c) Mention and describe the e unitary of measuring elasticity of demand [7mks]

QUESTION 5

- a) Give an assumption of increasing returns and constant returns [7mks]
- b) Elaborate on the methods of dealing with externalities [6mks]
- c) Outline and discuss the factors that affect Supply of a commodity [6mks]