



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND
TECHNOLOGY SCHOOL OF BUSINESS ADMINISTRATION
UNIVERSITY EXAMINATION FOR DEGREE IN BUSINESS
ADMINISTRATION
1ST YEAR 1ST SEMESTER 2016/2017 ACADEMIC YEAR
NAMBALE**

COURSE CODE: AEC 101

COURSE TITLE: INTRODUCTION TO MICROECONOMICS

EXAM VENUE: STREAM: (BBA)

DATE: 00/04/2017

EXAM SESSION:

TIME:

2.00 HOURS

Instructions:

- 1. Answer QUESTION ONE and any other TWO Questions.**
- 2. Candidates are advised not to write on question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

QUESTION ONE

- (a) Differentiate between microeconomic and macroeconomic theories. (4 Marks)
- (b) Mention the basic factors of production and their rewards. (8 Marks)
- (c) Using appropriate illustration, explain why the demand curve is downward sloping. (5 Marks)
- (d) Discuss internal economies of scale. (8 Marks)
- (e) Explain any five determinants of individual demand. (5 Marks)

QUESTION TWO

- (a) Define specialization and briefly explain its advantage. (8 Marks)
- (b) With the help of a well labeled diagram, explain the law of diminishing returns. (12 Marks)

QUESTION THREE

- (a) Distinguish between 'change in quantity supplied' and 'change in supply' (8Marks)
- (b) Differentiate between Positive and Normative Economics. (4 Marks)
- (c) Using a well labeled diagram, define equilibrium as used in economics. (8 Marks)

QUESTION FOUR

- (a) Explain the reasons for the existence of monopoly in an economy. (10 Marks)
- (b) Discuss the advantages of free market system. ((10 Marks)

QUESTION FIVE

- (a) Describe the short-run equilibrium of a firm earning super normal profits under perfect competition. (10 Marks)
- (b) $TR = 45Q - 0.5Q^2$ and $TC = Q^3 - 39.5Q^2 + 120Q + 150$. Find the profit maximizing level of output. (10 Marks)