



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND  
TECHNOLOGY  
SCHOOL OF BUSINESS AND ECONOMICS  
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF  
BUSINESS AND ECONOMICS  
1<sup>ST</sup> YEAR 1<sup>ST</sup> SEMESTER 2017/2018 ACADEMIC YEAR  
NAIROBI CAMPUS**

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**COURSE CODE: MBA 802**

**COURSE TITLE: MANAGERIAL ECONOMICS**

**EXAM VENUE:**

**DATE:**

**STREAM: (MBA)**

**TIME:**

**EXAM SESSION:**

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**INSTRUCTIONS**

1. Answer question one (compulsory) and any other two 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**

1. (a) What is your understanding of managerial economics? (3mks)
- (b) Explain the importance cost control in managerial economics and highlight the main areas of cost control in an organization. (20 mks)
- (c) Economist more often claim that businesses plan long-term but operate short-run explains. (7mks)

**QUESTION 2**

2. Explain the importance of demand forecasting in managerial economics. (20mks)

**QUESTION 3**

3. With the help of a diagram, give a critical analysis of the life cycle of a product and price strategies that can be adopted at each stage. (20mks)

**QUESTION 4**

4. Using the function  $S1 = \frac{P1X1}{m}$  ,  $S2 = \frac{P2X2}{m}$  ,  
and  $U=(x1,x2)$

Find the values of s1, s2 and utility figures which describe the consumptions behavior. Show your working (20mks)

Year	p1	p2	m	x1	x2	S1	S2	Utility
1	1	1	100	25	25			
2	1	2	100	24	38			
3	2	1	100	13	74			
4	1	2	200	48	76			
5	2	1	200	25	150			
6	1	4	400	100	75			
7	4	1	400	104	304			

**QUESTION 5**

5. Suppose that a consumer has a demand function for milk of the form  $x1 = 10 + \frac{M}{10p}$

Originally his income is ksh120/- per week and the price of milk is ksh3/- per litre. Now suppose that the price of milk falls to ksh.2/- per litre. Calculate the substitution effect. (20mks)

**QUESTION 6**

6. Derive the following from the function  $C(y) = y^2 + 10$ 
    - i. variable cost
    - ii. fixed cost
    - iii. average variable cot
    - iv. average fixed cost
    - v. average cost
    - vi. marginal cost
- (20mks)