

SCHOOL OF MATHS AND ACTUARIAL SCIENCE

SAC 105 & BEN 3111 MICROECONOMICS

BACHELOR OF INTERNATIONAL TOURISM

BACHELOR OF ACTUARIAL SCIENCE

QUESTION ONE

- i. State and briefly explain any four main factors that may cause a fall in the supply of a good in the market 10 Marks
- ii. Explain with the help of a diagram price and output under monopolistic competition 10Marks
- iii. Explain the factors that may tempt firms into collusive and merger activity under oligopoly 10 Marks

QUESTION TWO

- i. Using relevant diagrams explain the following
 - a) Movement along and the shift of the supply curve
 - b) Degree of price elasticity of supply 12 Marks
- ii. Explain the advantages and disadvantages of mixed and economy 8 Marks

QUESTION THREE

- i. Explain the circumstances under which price control is considered necessary 6 Marks
- ii. When the price of bread falls from Sh 25 to Sh 20 per loaf, the quantity demanded of margarine increases from 100 to 110 units per month. Calculate the cross elasticity of demand . 4 Months
- iii. Explain the factors which affect the Income elasticity of demand 10 Marks

QUESTION FOUR

- i. Explain the relevance of the law of variable proportions in economic theory 10 Marks

- ii. Explain with the help of a diagram price and output under perfect competition

QUESTION FIVE

- i. Explain the advantages of large scale production 10Marks
- ii. Explain the concept of consumer sovereignty and give its limitation 10 Marks