



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
1ST YEAR 1ST SEMESTER 2018/2019 ACADEMIC YEAR
MAIN CAMPUS

COURSE CODE: AEC 101, BEN 3111 & SAC 105

COURSE TITLE: MICROECONOMICS

EXAM VENUE:

DATE: DECEMBER, 2018

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 ONE

- i. Explain with the help of diagrams the degree of price elasticity of price elasticity of supply 6 Marks
- ii. Using the following demand and supply functions of a commodity X, compute the equilibrium price and quantity
 $Q_d = 100 - 2P$

$$Q_s = 40 + 4P \quad \text{4 Marks}$$

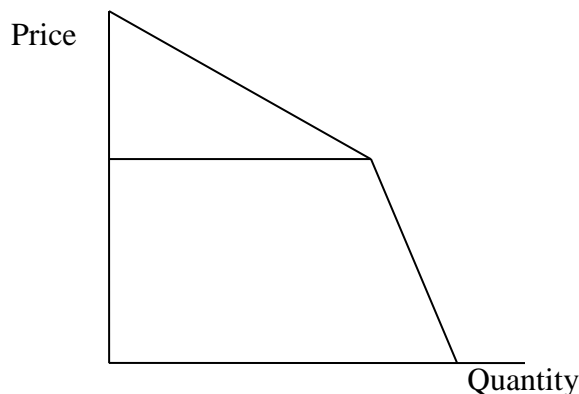
- iii. The demand for a commodity is 100 units when the prevailing market price equals eighty Shillings per unit. However, when the price per unit rises to one 200 Ksh, the quantity demanded rises to 60 units. Calculate Price elasticity of demand 2Marks
- iv. With the help of diagrams, explain the price and output of a firm operating under Monopolistic competition both in the short and long run 8 Marks

QUESTION TWO

- i. Using relevant diagrams explain the following concepts in microeconomics
 - a) Extension and contraction demand
 - b) Shift of the demand and supply curve
 - c) Production possibility curve
 - d) Normal profit in perfect competition 12 Marks
- ii. Explain the advantages and disadvantages of large scale production 8 Marks

QUESTION THREE

- i. Explain the reasons for the adoption of a free market economy 10 Marks
- ii. The diagram below shows the demand curve for a firm operating under a certain market in an economy



- I. Identify the market structure represented by the diagram 2Marks
- II. Highlight the features of this market 8 Marks

QUESTION FOUR

- i. Explain any FOUR practical application of the concept of income elasticity of demand in the management and economic policy decision making 10 Marks
- ii. Explain the conditions for successful price discrimination 10 Marks

QUESTION FIVE

- i. Following the price increase of butter from Kshs. 200 to Kshs. 400 the quantity demanded for Margarine increased from 20 to 40 units. Calculate cross elasticity of demand . 4 Marks
- ii. Explain the law of diminishing returns (law of variable proportions) 10 Marks
- iii. Explain the importance of studying microeconomics 10 Marks