



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF MASTERS OF BUSINESS
ADMINISTRATION
1ST YEAR 1ST SEMESTER 2018/2019 ACADEMIC YEAR
KISII CAMPUS-PART TIME

COURSE CODE: MBA 802

COURSE TITLE: MANAGERIAL ECONOMICS

EXAM VENUE:

STREAM: (MBA)

DATE: 24TH APRIL 2019

EXAM SESSION: 2.00 – 5.00PM

TIME: 3.00 HOURS

Instructions:

- 1. Answer any FOUR 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

- a) Discuss the main sources of demand for the product of the firm. (7 Marks)
- b) The resources or factors of production are referred to as inputs and are divided into two (Variable and Fixed). Distinguish between the terms and explain the implications in the production process. (8 Marks)

QUESTION TWO

- a) List and explain the two situations under which managers make decisions. (5 Marks)
- b) The table below shows the decision alternatives available to an investor who wants to invest Kshs. 10,000 in the stock market.

Decision Alternative	One year return on Kshs. 10,000 invested	
	Bull Market	Bear Market
Company A stock	5,000	-2,000
Company B stock	1,500	500
Probability of occurrence	0.6	0.4

Required:

- i) Using the decision tree advise the investor on which stock to invest in in order to maximize his/her returns. (10 Marks)

QUESTION THREE

- C) A production process is classified into two periods (Long Run and Short Run). Differentiate between the two and give their implications in regard to the two main factors of production. (7 Marks)
- D) There are normally two methods used in National Income Accounting (Gross National Income and Gross Product). With examples differentiate the two terms. (8 Marks)

QUESTION FOUR

- a) In order to explain the consumer behaviour, the indifference curve theory is used. State and explain the assumptions used. (5 Marks)
- b) In order to stabilize prices in a given economy, governments use three main methods. Name and explain how the three methods work. (10 Marks)

QUESTION FIVE

- a) Explain what you understand by consumer surplus. (7 Marks)

b) Differentiate between movement along the demand curve and the shift in the demand curve. Which are the factors that cause each of these movements. (8 Marks)

QUESTION SIX

a) State and describe the items that a good economic model should contain. (5 Marks)

b) A manufacturer has the data provided in the figure below:

	Tones of raw materials per ton		Maximum Available
	Product A	Product B	
Raw Material, M1	6	4	24
Raw Material , M2	1	2	6
Profit per ton in Kshs. (*000)	5	4	

i) Formulate a maximization model. (5 Marks)

Solution: Maximization equation: $Z = 5a + 4b$

Subject to: $6a + 4b \leq 24$

$a + 2b \leq 6$

$-a + b \leq 1$

$b \leq 2$

$a, b \geq 0$

ii) State the assumptions that must be take into account in the process of coming up with the model. (5 Marks)