

**AEC 101 /BEN 3111 /SAC 105 INTRODUCTION TO MICROECONOMICS**

Answer Question ONE and any other TWO

**QUESTION ONE**

- (i) Define the term a mixed economy 2 Marks
- (ii) Explain the distinct features of a a mixed economy 4 Marks
- (ii) Using a well labeled diagrams, explain the price and output of a firm under monopoly 4 Marks
- (iii) Explain with help of diagrams the types of elasticity of Supply 4 marks
- (iv) The market supply and demand equations for a given product are given by the expressions
- $$Q_d = 100 - 2P$$
- $$Q_s = 4 + 4 P$$
- (a) Determine the equilibrium price and quantity 2 Marks
- (v ) Highlight the objectives of price control 6 Marks
- ( vi ) Explain the importance of the theory of production 8 Marks

**QUESTION TWO**

Wright short notes on the following

- a. Opportunity cost
- b. Deductive and inductive method
- c. Positive and Normative economics
- d. Consumer sovereignty 20 Marks

### **QUESTION THREE**

- (i) Explain using a well labeled diagrams. Explain
  - a. Increase and decrease in demand
  - b. Shift of the demand curve 10 Marks
- (ii) Explain the help of diagrams the price and output under Perfect Competition Competition both in the short and long run 10 Marks

### **QUESTION FOUR**

- (i) Explain the main economic problems faced by economists 6 Marks
- (ii) As the result of the price decrease of a good from Ksh 10 to Ksh5, the quantity demanded increases from 100 to 200 units. Calculate the Arc elasticity of demand 2 Marks
- (iii) Explain the factors affecting price elasticity of demand 12 Marks

### **QUESTION FIVE**

- (i) Explain the various types of cost 10 Marks
- (ii) Explain the sources/types of internal economies of scale 10 Marks

