

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF HUMANITIES AND SOCIAL SCIENCES

**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF ARTS
(DEVELOPMENT STUDIES)**

4th YEAR 2ND SEMESTER 2019/20 ACADEMIC YEAR (SPECIAL EXAMINATION)

MAIN CAMPUS

COURSE CODE: ZDS 3426:

COURSE TITLE: Intermediate Microeconomics

EXAM VENUE:

STREAM: BA

DATE:

EXAM SESSION:

TIME:

Instructions

1. Answer Question ONE (COMPULSARY) 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 (Compulsory)

- a) Define the concept of optimization as used in economic? **(6 marks)**
- b) Examine clearly the concept of consumer equilibrium according to the ordinalists **(5 marks)**
- c) What is a market equilibrium? **(4 marks)**
- d) Assuming that the long run total cost function of a firm is given as :-
$$C = 1500 + 200Q + 20Q^2,$$
- i) determine the firm's marginal cost when $Q=10$ **(5 marks)**
- ii) average cost when $Q=10$ **(4 marks)**
- e) Explain why isoquants do not intersect **(6 marks)**

QUESTION TWO

- a) Critically examine the law of diminishing marginal utility? **(8 marks)**
- b) Distinguish the substitution effect from the income effect of a rise in the price of super petrol. Use a well labelled diagram to illustrate. **(12 marks)**

QUESTION THREE

- a) Explain why the marginal cost curve must be rising at the point of its intersection with the average cost curve. **(6 marks)**
- b) Using a clearly labelled diagram, explain the concept of profit maximization. **(6 marks)**
- c) Explain how the proposed contribution towards affordable housing project of the jubilee government will affect the well fare of the Kenyan worker. Use a well labelled diagram. Assume that these Kenyans consume two commodities (x,y). **(8 Marks)**

QUESTION FOUR

- a) Explain how you would derive a demand curve from a marginal utility curve. Assume a normal good. **(4 marks)**
- b) Distinguish between the long-run production function and the short-run production function. **(4 marks)**

- c) Using classical production function, explain the stages of production of a firm and advice on the best optimal stage of production. **(12 marks)**

QUESTION FIVE

- a) Distinguish the income effect from the substitution effect resulting from the fall in the price of house rents. Assume that people spend their entire earnings on rent (x) and food (y). **(10 Marks)**
- b) Discuss the possible economic effects of the proposed reduction from 8 to 5 years the age limit of imported used vehicles into the Kenyan market. **(10 marks)**

