

**JARAMOGI OGINGA ODINGA OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATIONS**

**3RD YEAR 1ST SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF BUSINESS ADMINISTRATION**

KISII LEARNING CENTRE

COURSE CODE: ABA 306

TITLE: MANAGERIAL ECONOMICS

DURATION: 2HOURS

INSTRUCTIONS:-

- 1) This paper contains FIVE (5) Questions.**
- 2) Answer Question 1(COMPULSORY) and ANY other two (2) questions.**
- 3) Write all answers in the booklet provided.**
- 4) Candidates must hand in their answer booklets to the invigilator while in the examination room.**

Section I: Compulsory Question

Question one

- a) If company B operates out of a own building which could otherwise be leased at ksh 5000 per month and the final statement of the company appears as below.

Salary and wages	ksh 120, 0000
Equipment purchased	ksh 80,000
Inventory	ksh 20,000

Define and compute the following cost (per year) for company B.

- i. Opportunity cost (4marks)
 - ii. Economic cost (4marks)
 - iii. Accounting cost (4marks)
- b) Using marginal revenue (MR) and marginal cost (MC) curves .Explain the conditions of equilibrium in a firm and show how a monopoly maximizes profit. (6marks)
- c) What do you understand by pendatory pricing? .Why are most government against it?(4marks)
- d) Explain briefly the concept of elasticity of demand. (3marks)
- e) List any five reasons which influences a firm to do long-term investments. (5marks)

Section II:Answer Any Two Questions

Question two

- a) What is profit maximization? .(2marks)
- b) Profit maximization is not only objective of a firm .Explain the other five objectives of a firm?. (8marks)
- c) I) what do you understand by the term regulation? (2marks)
ii) Give reasons why there is need for government to regulate monopolies. (8marks)

Question three

- a) What do you understand by managerial economics? Briefly discuss its importance. 10marks)
- b) i)Define the term cost.(2marks)
ii) Discuss the importance of cost estimation in management. (8marks)

Question four

- ai) Explain any two methods used in capital budgeting.

ii) what are the importance of capital budgeting in management. (10marks)

b) Explain five ways in which the government regulates business/firm. (10marks)

Question five

a) What do you understand by antitrust laws .What are the major four reasons why antitrust laws were enacted? (10marks)

b) What is pricing?. (2marks)

c) Write short notes on the following

i. Price discrimination. (4marks)

ii. Penetration pricing. (4marks)