

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

UNIVERSITY EXAMINATION FOR THE AWARD OF THE DEGREE IN BUSINESS ADMINISTRATION WITH IT

( FULL TIME AND PART TIME)

2<sup>ND</sup> YEAR 1<sup>ST</sup> SEMESTER 2013/14 ACADEMIC YEAR

KISII LEARNING CENTRE

COURSE CODE - AEC 201 INTERMEDIATE MICRO ECONOMICS

STREAM BBA

**Instructions**

1. Answer question one (compulsory) and any other two questions
2. Do not write anything on the question paper

1. a) Explain Micro-economics. (3 marks)  
b) Discuss demand theory and highlight exceptions to the law of demand. (12 marks)  
c) Explain the following terms as used in Micro –economics
  - i) Opportunity cost (3 marks)
  - ii) A firm (3 marks)
  - iii) Consumer equilibrium (3 marks)d) Explain the law of diminishing returns and its assumptions. (6 marks)
2. a) Discuss determinants of demand. (10 marks)  
b) Explain indifference curves and their properties. (10 marks)
3. a) Differentiate between fixed and variable costs. (3 marks)  
b) Explain external economies of concentration and how an organization can achieve them.  
(12 marks)  
c) Highlight why small firms are able to survive as compared to big firms. (5 marks)
4. a) Explain monopoly and sources of monopoly power. (8 marks)  
b) Justify the use of price discrimination. (6 marks)  
c) Discuss welfare economics and its importance in society. (6 marks)
5. a) Discuss circumstances that may lead to earning abnormal profits by a firm. (8 marks)  
b) Explain Pareto efficiency and the three conditions that must be met for an allocation to be Pareto efficient. (12 marks)