



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION AND BACHELOR OF LOGISTICS AND SUPPLY CHAIN
MANAGEMENT
1ST YEAR 1ST SEMESTER 2022/2023 ACADEMIC YEAR
KISUMU CAMPUS

COURSE CODE: BEB 1101

COURSE TITLE: INTRODUCTION MICROECONOMICS

DATE: 20/12/2022

SESSION: 9.00-11.00AM

TIME: 2 HOURS

Instructions:

- 1. Answer Question One (COMPULSORY) and any other TWO questions**
- 2. Do not write on the question paper.**

QUESTION ONE

- a) Using a production possibility frontier explain the concepts of scarcity, choice and opportunity cost. **(6 Marks)**
- b) With relevant examples distinguish between positive and normative economics. **(4 Marks)**
- c) Using a suitable diagram, describe the law of diminishing marginal utility. **(4 Marks)**
- d) Examine the factors that would affect the demand for a normal good in a commodity market. **(5 Marks)**
- e) Highlight the assumptions of the law of variable proportions. **(4 Marks)**
- f) Outline the sources of monopoly power. **(3 Marks)**
- g) Explain why a role for government is inevitable even in a market economy. **(4 Marks)**

QUESTION TWO

- a) Highlight the features of a free market system. **(5 Marks)**
- b) With the aid of a well labelled diagram explain how a consumer attains equilibrium given their income and prices of two commodities he/she is indifferent to. **(8 Marks)**
- c) Suppose the government introduces a soda tax to curb obesity which is collected from sellers. Explain graphically the effect on the supply, the equilibrium price and quantity of soda. **(7 Marks)**

QUESTION THREE

- a) Explain the determinants of elasticity of demand for a commodity. **(6 Marks)**
- b) Recently the government of Kenya provided farm subsidies on fertilizers to enhance agricultural production. Explain the inefficiencies that may arise from such interventions. **(8 Marks)**
- c) Explain the factors responsible for equilibrium wage differentials. **(6 Marks)**

QUESTION FOUR

- a) Distinguish between isoquant and isocost curves. **(4 Marks)**
- b) The total cost (in thousands of shillings) outlay for 1, 2, 3 and 4 units of output are sh.120, 160,180 and 192 respectively. Determine the corresponding average costs and marginal costs. **(8 Marks)**
- c) Describe the short-run equilibrium of a perfect competition market. **(8 Marks)**

QUESTION FIVE

- a) Explain the following concepts in economics:
- i. Least Cost factor combination. **(2 Marks)**
 - ii. Expansion path. **(2 Marks)**
 - iii. Marginal Rate of technical substitution. **(2 Marks)**
 - iv. Economic rent. **(2 Marks)**
 - v. Rationality assumption of the consumer. **(2 Marks)**
- b) With an appropriate diagram, explain how consumer and producer surpluses occur in a commodity market. **(10 Marks)**