



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS AND ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS**  
**ADMINISTRATION WITH I.T**  
**1<sup>ST</sup> YEAR 1<sup>ST</sup> SEMESTER 2018/2019 ACADEMIC YEAR**  
**NAIROBI CITY LEARNING CENTRE**

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**COURSE CODE: AEC 101**

**COURSE TITLE: INTRODUCTION TO MICROECONOMICS**

**EXAM VENUE: 12<sup>TH</sup> FL RM 1**

**STREAM: (BBA)**

**DATE:**

**EXAM SESSION:**

**TIME: 2.00 HOURS**

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**INSTRUCTIONS:**

- 1. Answer Question ONE (COMPULSORY) 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.**

## **SECTION A: ANSWER ALL QUESTIONS (COMPULSORY)**

### **QUESTION 1**

- (a) In Economics, we study that part of the human activity according to which individuals co-operate with each other to satisfy their basic wants. State and explain the characteristics of human wants. (10 marks)
- (b) Price theory is concerned with the determination of price of any commodity. Explain the various factors which determine the elasticity of demand. (10 marks)
- (c) The process of production is not complete until a commodity has reached the person who wishes to make use of it. Define production and briefly describe the factors of production. (10 marks)

## **SECTION B: ANSWER ANY 2 QUESTIONS**

### **QUESTION 2**

- (a) Give the meaning of the following key terms as used in Economics (10 marks)
- (i) Utility
  - (ii) Scarcity
  - (iii) Opportunity cost
  - (iv) Wealth
  - (v) Choice
- (b) Monopoly is that market form in which a single producer controls the whole supply of a single commodity which has no close substitutes. Discuss the situation that may lead to rise in monopoly. (10 marks)

### **QUESTION 3**

- (a) Draw a graph and explain the law of Diminishing Marginal utility using the below schedule. (10 marks)

Unit of Commodity	Total Utility	Marginal Utility
1	100	100
2	180	80
3	220	40
4	220	0
5	200	- 20

- (b) Discuss the concept of total, average and marginal products by the help of the following table. (10 marks)

Units of Labour	Total Product	Average Product	Marginal Product
(1)	(2)	(3)	(4)
0	0	0	0
1	5	5	5
2	12	6	7
3	21	7	9
4	32	8	11
5	40	8	8
6	45	7.5	5
7	49	7	4

**QUESTION 4**

- (a) When scale of production is expanded, then certain things are usually obtained which are known as economies and diseconomies of scale. State and explain the Internal and external economies of scale (10 marks)
- (b) A firm is said to be in equilibrium when it has no trend to increase or decrease the level of output. Explain the FOUR situations which are possible in the short period equilibrium. (10 marks)

**QUESTION 5**

- (a) The price quantity combination and profit of a duopolist or oligopolist depends upon the actions of all the members of a market. Discuss. (10 marks)
- (b) Demand for a factor of production represents the number of units which are demanded by an entrepreneur at a specific price of that factor. State and explain the factors that influence demand for a factor of production (10 marks)