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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
2ND YEAR 1ST SEMESTER 2018/2019 ACADEMIC YEAR
NAIROBI CITY LEARNING CENTRE

COURSE CODE: BEN 3211

COURSE TITLE: INTERMEDIATE MICROECONOMICS

EXAM VENUE: 12TH FL RM 4

STREAM: (BBA)

DATE: 4TH / 12/2018

EXAM SESSION: 2PM-4PM

TIME: 2.00 HOURS

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.**

QUESTION 1

- (a) Give the meaning of the following key terms as used in economics:- (10 Marks)
- (i) Utility analysis
 - (ii) Indifference curves
 - (iii) Giffen goods
 - (iv) Localization of industries
 - (v) Economies of scale
- (b) It is a matter of common observation that when different units of any commodity are used continually, latter units give less satisfaction. With the help of the utility schedule below, draw a diagram and explain the law of diminishing marginal utility (10 Marks)

<i>Units of Commodity</i>	<i>Total Utility</i>	<i>Marginal Utility</i>
1	100	100
2	180	80
3	220	40
4	220	0
5	200	-20

- (c) According to utility approach, a consumer is in equilibrium position when he distributes his income on the purchase of different commodities in a way that marginal utility of all the commodities is equal. Explain the assumption of the equilibrium of the consumer according to indifference curve techniques (10 Marks)

QUESTION 2

- (a) The process of production is not complete until a commodity has reached the person who wishes to make use of it. Give the meaning of Production and briefly explain the factors of production (10 Marks)
- (b) The main objective of a firm is to earn maximum profits. State and explain the main problems of the firm (10 Marks)

QUESTION 3

- (a) By localization of a business enterprise we mean the selection of that place where any industry should be established. Describe the factors to consider when setting up an industry (14 Marks)
- (b) Economies of scale play a vital role in the development of a countries economy. It can either be internal or external economies. Briefly explain the external economies of scale (6 Marks)

QUESTION 4

- (a) In order to produce different commodities, four factors of production are combined together. When production increases more proportionately as compared to the increase in factors of production, then the law of increasing returns applies. Using the below schedule, draw a graph explain the maw of increasing returns (12 Marks)

<i>Units of Land</i>	<i>Units of labour and capital</i>	<i>Total products</i>	<i>Marginal Product</i>	<i>Cost per unit of Output</i>
10	1	50	50	20
10	2	110	60	16.7
10	3	180	70	14.2
10	4	260	80	12.5

- (b) A firm is said to be in equilibrium when it has no trend to increase or decrease the level of output. Discuss the FOUR situations under perfect competition in which a firm can be in equilibrium in the short period (8 Marks)

QUESTION 5

- (a) Monopoly is that market form in which a single producer controls the whole supply of a single commodity which has no close substitute. Explain the situations that may arise in case of monopoly (14 Marks)
- (b) State and explain the properties of indifference curves (6 Marks)