COURSE TITLE: Introduction to Microeconomics

COURSE CODE: AEC 101/BEN 3111

VENUE:

Date :

Time : 2hrs.

Instructions :

1. Answer question 1 (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)

Compare and contrast the four Nature of Economic System you are aware of. Which of the four is applicable to Kenya? Justify your response with experienced examples. (20 Marks)

(b)

Our destiny is determined by choices we make amidst scarcity of resources. Explain with examples. (10 Marks)

Question 2

Identify and briefly discuss at least three main factors that influence consumer behavior as they decide which goods and services to buy. (20 Marks)

Q 3

Why is cost estimation important for Decision making? Identify at least three methodologies available to an economist to undertake this task
Question 4

“FLY540 terms new Kenya airways carrier, the JAMBO JET, a monopoly and is to petition the Competitions Authority to investigate what it calls “Anti-competitive Behavior”. Business Daily Wednesday March 12, 2014. Do you agree with Fly540 that entry of Jambo Jet, a subsidiary of Kenya Airways is anti-competition behavior, hence monopolistic practice? Response should first of all (i) tell us what monopoly is; (ii) analyzing monopolistic market conditionalities and (iii) if these conditionalities justify Fly540 concerns.

Question 5.

Write short notes on:

(a) Opportunity Cost. (5 Marks)

(b) Internal Economies of Scale. (5 Marks)

(c) Marginal Rate of Technical Substitution (5 Marks)

(d) The production possibility frontier (5 Marks)