



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS

UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS

ADMINISTRATION WITH IT

2ND YEAR 1ST SEMISTER 2019 ACADEMIC YEAR

KISII CAMPUS

COURSE CODE: AEC 201

COURSE TITLE: INTERMEDIATE MICRO ECONOMICS

EXAM VENUE:

STREAM: (BBA)

DATE:---

EXAM SESSION: ----

TIME: 2 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 One

(a) Define micro-economics and explain how it helps in determining the economic welfare of the economy. (10 marks)

(b) Distinguish the following concepts

- i. Demand and Want
- ii. Cardinal and Ordinal Utility
- iii. Variable and marginal Cost (9marks)

(c) Given the following information

$$Qd = 50 - 5P$$

$$Qs = 5 + 10P$$

Where

Qd – quantity demanded

Qs – quantity supplied

P- price

(i) Define equilibrium and calculate the equilibrium price and the quantity supplied at that price (8marks)

(ii) Using the calculated price, draw an imaginary graph illustrating the equilibrium price, the quantity demanded and supplied. (3marks)

Question Two

(a) With the help of a graph discuss Pareto economic welfare criterion (10marks)

(b) What do you understand by the term “welfare economics”. Explain any four factors which can be used to measure economic welfare in an economy. (10marks)

Question Three

(a) Define utility and explain the assumptions upon which Marshall utility analysis stand. (10marks)

(b) Define general equilibrium. What is the significance of studying this concept. (10marks)

Question Four

(a) In what ways is indifference curve technique superior to Marshallian utility analysis? (10marks)

(b) Define "Elasticity of Demand". How is price elasticity of demand measured. What other factors affect elasticity of demand. (10marks)

Question Five

- Giving examples distinguish the following concepts (8marks)
- Nominal and Real Costs
 - Opportunity Cost and Accounting Cost

Given the following information

Units	Total utility	Marginal utility
1	20	
2	38	
3	53	
4	64	
5	70	
6	70	
7	62	
8	46	

(i) Define the law of diminishing marginal utility as stated by Marshals and from the above given information calculate the marginal utility to fill the 3rd column. (8marks)

(ii) State any four limitations of the law of diminishing marginal utility. (4marks)