



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 SEMESTER 2013/2014 ACADEMIC YEAR
BUSIA LC

COURSE CODE: AEC 201

COURSE TITLE: INTERMEDIATE MICROECONOMICS

EXAM VENUE:

STREAM : (BBA)

DATE: 8/12/14

EXAM SESSION: 9.00 – 11.00 AM

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 the following terms as used in Economics
- I. Economic system (2mks)
 - II. Market equilibrium (2mks)
 - III. Oligopoly (2mks)
 - IV. Indifference curve (2mks)
 - V. Budget line (2mks)
- b) Explain five ways in which prices are set in the market. (5mks)
- I. Briefly explain the approaches used by economists to measure utility. (5mks)
 - II. Outline five assumptions of pareto efficiency. (5mks)
 - III. Explain five economies of scale accruing to a firm operating on large scale. (5mks)

QUESTION TWO

- a) Using suitable examples, explain the law of diminishing marginal utility. (10mks)
- b) Explain the assumptions of cardinality approach to consumer behavior. (10mks)

QUESTION THREE

- a) Explain the various ways of product differentiation in the market. (10mks)
- b) With the aid of a diagram, explain profit maximization under perfect competition markets. (10mks)

QUESTION FOUR

- a) Outline five features of game theory. (5mks)
- b) Explain the dilemma of two prisoners and its application in modern Economics. (15mks)

QUESTION FIVE

- a) With the aid of a diagram explain the relationship between the various costs of a firm. (10mks)
- b) What are the distinctive features that make monopolies undesirable in an economy? (10mks)