



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS**  
**ADMINISTRATION WITH IT**  
**1<sup>st</sup> YEAR 1<sup>st</sup> SEMESTER 2015/2016 ACADEMIC YEAR**  
**KISHI CAMPUS-PART TIME**

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**COURSE CODE: AEC 102**

**COURSE TITLE: INTRODUCTION TO MICRO ECONOMICS**

**EXAM VENUE: LR 17**

**STREAM: (BBA )**

**DATE: 15/12/16**

**EXAM SESSION: 9.00 – 11.00 AM**

**TIME: 2 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.**

**QUESTION ONE**

- a. Define economics and briefly explain why it is referred to as “a science of choice.” (5mks)
- b. State the FIVE major economic problems facing most developing countries. . (5mks)
- c. Explain how is price related to demand and supply .(4mks)
- d. Define economic laws .Explain three reasons why you think economic laws are unique. (7mks)
- e. Given the following information

Unit	M.U of mangoes	M.U of apples
1	30	32
2	27	28
3	24	24
4	21	20
5	18	16
6	15	12

M.U is marginal utility.

Given the price of mangoes as kshs 3 and that of apples ksh4 and the budget if the consumer as kshs 20

- i) Calculate another table showing the marginal utility of both the mangoes and apples
- ii) Given the customers budget of kshs 20 how much will he spend on each of the given fruits (9mks).

**QUESTION TWO.**

- a) State the law of demand and explain any FOUR limitations of the law. (10 mks)
- b) Define the term elasticity of demand and briefly explain.
  - i. Price elasticity of demand
  - ii. Income elasticity demand and.
  - iii. Cross elasticity of demand (10mks)

**QUESTION THREE:**

- a)What is utility? Briefly explain the law of diminishing marginal utility .Illustrate your answers with examples. (10mks)
- b) What do you understand by the term perfect competition .What are the features of this market structure .Does the market exist? (10mks)

**QUESTION FOUR.**

- a) Define a capitalistic economy and explain any **FOUR** distinctions between a free market economy and a centralized economy. (10mks)
- b) Define mixed economy .What are the basic features of these type of economy .Illustrate your answers with reference to Kenya. (10mks)

**QUESTION FIVE**

- a) Define demand and explain and four determinants of demand. (10mks)
- b) Define monopoly and illustrate how equilibrium price as attained in this market structure. (10mks)