



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
1ST YEAR 1ST SEMESTER 2019/2020 ACADEMIC YEAR

COURSE CODE: AEC 101/BEN 3111

COURSE TITLE: INTRODUCTION TO MICROECONOMICS

EXAM VENUE: STREAM: (BBA)

DATE: EXAM SESSION:

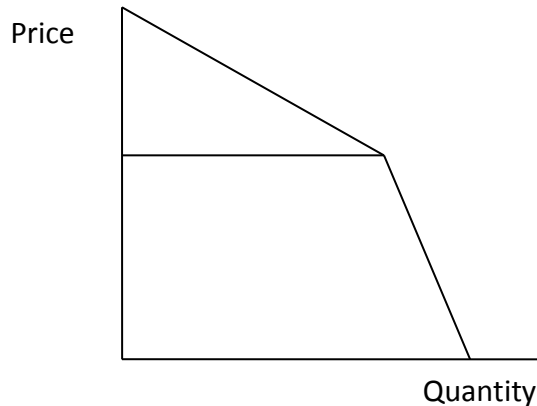
TIME: 2 HOURS

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 the term mixed economy and explain its main features 10 Marks
- b. Using well labelled diagrams explain the categories /degree of elasticity of supply 10 Marks
- c. As a result of an increase in income of the consumers from Ksh 1200 to Ksh 2000, the quantity demanded increases from 400 to 600 units of clothes. Calculate the income elasticity of demand 2 Marks
- d. The diagram below shows the demand curve for a firm operating under a certain market in an economy



- I. Identify the market structure represented by the diagram 2mks
- II. Highlight the features of this market 8 Marks

QUESTION TWO

- a. Using relevant diagrams explain the following concepts in microeconomics
 - a) Extension and contraction demand
 - b) Shift of the demand curve
 - c) Production possibility curve
 - d) Normal profit in perfect competition 12 Marks
- b. Explain the advantages and disadvantages of large scale production 8 Marks

QUESTION THREE

- a. Explain the main features of a free market economy 10 Marks
- b. Explain with the help of diagrams the price and output of a firm operating as a Monopoly both in the short and long run 10 Marks

QUESTION FOUR

- a. Explain any FOUR practical application of the concept of elasticity of demand in the management and economic policy decision making 10 Marks
- b. Explain the law of diminishing returns (law of variable proportions) 10 Marks

QUESTION FIVE

- a. Explain the importance of studying microeconomics 6 Marks
- b. Using the following demand and supply functions of a commodity Z, compute the equilibrium price and quantity $D = 60 - P$, $S = 40 + P$. Where P is the price of commodity Z, S is the supply of commodity Z and D is the demand for commodity Z
4 Marks
- c. Explain the main factors that affect the main supply of goods in a Market 10 Marks