



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF MASTERS OF BUSINESS
ADMINISTRATION
1ST YEAR 1ST SEMESTER 2016/2017 ACADEMIC YEAR
KISII CAMPUS-PART TIME

COURSE CODE: MBA 802

COURSE TITLE: MANAGERIAL ECONOMICS

EXAM VENUE:

STREAM: (MBA)

DATE:

EXAM SESSION:

TIME: 3 HOURS

Instructions:

- 1. Answer any FOUR 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) Briefly explain the main sources of demand for the product of the firm. (7 Marks)
- b) Distinguish between the following pairs of words:
- i) Monopoly and Perfect Competition (2 Marks)
 - ii) Marginal Rate of Substitution and Elasticity of Substitution (2 Marks)
 - iii) Gross Domestic Income and Gross Domestic Product (2 Marks)
 - iv) Industry and Firm (2 Marks)

QUESTION TWO

- a) What do you understand by “Budget Constraint”? (5 Marks)
- b) The table below shows the two commodities that are available for a consumer who wishes to maximize his utility subject to the available income.

Commodity	Price (‘000)	Quantity Available
X	12	8
y	45	6

Required:

- i) Derive the consumer’s income constraint. (5 Marks)
- ii) Calculate the consumer’s income given that he can only buy the x and y combination as shown in the table. (5 Marks)

QUESTION THREE

- a) Define price discrimination and explain how it operates in a market situation. (7 Marks)
- b) Which conditions must be fulfilled in order for price discrimination to be effective? (8 Marks)

QUESTION FOUR

- a) In order to explain the consumer behaviour, the indifference curve theory is used. State and explain the assumptions used. (5 Marks)

b) In order to stabilize prices in a given economy, governments use three main methods. Name and explain how the three methods work. (10 Marks)

QUESTION FIVE

a) Explain what you understand by consumer surplus. (7 Marks)

b) Differentiate the difference between movement along the demand curve and the shift in the demand curve. Which are the factors that cause each of these movements. (8 Marks)

QUESTION SIX

Mr. Ajuoga is a manufacture who produces two types of commodities (A and B) for sale using two types of raw materials (M1 and M2). In order to maximize his profit, Mr. Ajuoga has to determine the maximum number of each commodity to produce. The table below shows the basic data available to enable Mr. Ajuoga make an informed maximization decision.

	Tones of raw materials per ton		Maximum Available
	Product A	Product B	
Raw Material, M1	6	4	24
Raw Material , M2	1	2	6
Profit per ton in Kshs. ('000)	5	4	

Required:

a) State and describe the items that a good economic model should contain. (5 Marks)

b) From the data available, formulate a maximization model that Mr. Ajuoga may use to enable him maximize his profits. (5 Marks)

c) State the assumptions that you must take into account in the process of coming up with the model. (5 Marks)