

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

UNIVERSITY EXAMINATIONS 2012/13

**FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION**

MBA 802: MANAGERIAL ECONOMICS

Date: _____ **Time: 3HOURS**

INSTRUCTIONS:

Answer QUESTION ONE and any other TWO questions

QUESTION ONE

- a. 'Perfect competition market structure is ideal but not realistic'. Discuss reasons why the market structure may not exist in real life. (10marks)
- b. Using a well labeled diagram, explain the equilibrium position of a firm under monopoly in the long- run. (10marks)
- c. Discuss the differences between economists and accountants on concepts of "costs" and "profits". (10marks)

QUESTION TWO

A firm under perfectly competitive market is faced with a price of kshs 200 and the following schedule of total cost at various output levels:

Output levels(Q)	Total costs(TC)	Average total costs (ATC)	Marginal costs (MC)
0	3000		
10	4700		
20	5700		
30	6600		
40	7200		
50	7500		
60	8400		
70	9800		
80	11800		
90	14300		
100	18000		

- a. State the total fixed costs. (2marks)
- b. Complete the table. (6marks)
- c. At what level of output would the firm maximize its profit? Give a reason for your answer. (4marks)

d. Calculate the maximum profits. (3marks)

QUESTION THREE

a. Discuss the practical applications of price elasticity of demand. (8marks)

b. Consider the following demand function for good a

Where P_a is price of commodity a, P_r is price of commodity r and Y is household income. Given $P_a = 200$, $P_r = 24$, $Y = 2000$, find the following elasticities and interpret your results:

- I. Income elasticity of demand. (5marks)
- II. Own price elasticity of demand. (5marks)
- III. Cross - price elasticity of demand. (5marks)

QUESTION FOUR

- Discuss the sources of monopoly power. (7marks)
- Discuss the factors that contribute to the growth of businesses in your county. (8marks)

QUESTION FIVE

a. Using a well labeled diagram, describe how a firm under monopolistic competition attains equilibrium in the long run. (6marks)

b. Briefly but clearly describe the following terms as used in oligopoly:

- i. Kinked demand curve (3marks)
- ii. Tacit collusion (3marks)
- iii. The Price leader (3marks)

