



MUEO

# **MOI UNIVERSITY**

OFFICE OF THE DEPUTY VICE CHANCELLOR (A,R&E)

## **UNIVERSITY EXAMINATIONS 2017/2018 ACADEMIC YEAR FIRST YEAR FIRST SEMESTER EXAMINATION**

### **FOR THE DEGREE OF BACHELOR OF ARTS IN ECONOMICS**

**COURSE CODE:** ECO 110

**COURSE TITLE:** INTRO TO MICRO ECON

**DATE:** 7<sup>TH</sup> DECEMBER 2018      **TIME :**2.00 – 5.00 P.M

---

#### **INSTRUCTION TO CANDIDATES**

SEE INSIDE

**2018/2019 ACADEMIC YEAR**

**SEPTEMBER/DECEMBER 2018 SEMESTER EXAMINATION**

**INTRODUCTION TO MICROECONOMICS**

**ECO 110**

**Instructions to candidates**

Answer question one **COMPULSORY** and any other **THREE** questions

**QUESTION ONE**

- a) Distinguish microeconomics from macroeconomics (2marks)
- b) With aid of diagram, define the following terms:
- i. Demand and Supply Curve (2marks)
  - ii. Equilibrium market (2marks)
- c) Explain the various determinants of individual demand for a good or a service (3 marks)
- d) Explain how a producer achieves an optimum least cost combination of factors of production. (3 marks)
- e) Discuss the relationship between a production function and an isoquant map.(3 marks)
- f) The total cost in thousands of shillings (TC) of producing Q units of a given product is given by the following function:

$$TC = 1000 + 2Q^2 - 12Q$$

Calculate:

- i) The total fixed costs.
  - ii) The output level that will minimize the marginal cost.
  - iii) The marginal cost when the level of output is 5000 units. (5 marks)
- g) Using the concept of production function discuss how marginal product of labour and marginal product of capital can be obtained. (3 marks)
- h) Using illustrations, explain movement along and a shift in the demand curve(2 marks)

## QUESTION TWO

- a) Compare and contrast the monopolistic and the monopoly market structures. (4marks)
- b) Explain any four sources of power for a monopoly? (4marks)
- c) Provide three ways in which a monopolist can discriminate. (3marks)
- d) Using a diagram, show the equilibrium of a monopolist in the long run.(2marks)
- e) What is oligopoly? (2marks)

## QUESTION THREE

- a) With regard to consumer choice of a basket of goods;
  - i. Explain the two conditions which must be satisfied. (2marks)
  - ii. Assume a basket of two goods (x and y); use indifference curve and budget constraint line, to explain the optimal point of this consumer. (4marks)
- b) Define the term “inferior goods” (2 marks)
- c) Explain the law of supply (2 marks)
- d) Explain a situation where the law of supply is violated (2 marks)
- e) Briefly explain the usefulness of the concept of elasticity of demand in decision making process (3 marks)

## QUESTION FOUR

- a) Explain the factors that influence cost behavior in a firm (4 marks)
- b) Illustrate and briefly explain the relationship between marginal cost (MC) and average cost (AC) curves of a firm (4 marks)
- c) Economics is both a science and an art. Explain (3 marks)
- d) State and briefly explain any four main factors that may cause a fall in the supply of a good in the market. (4 Marks)

## QUESTION FIVE

- a. With the aid of diagrams explain the properties of indifference curves. (5 marks)

- b. Compare and contrast cardinal and ordinal utility theories. (5 marks)
- c. Using indifference curves, explain the marginal rate of substitution (5 marks)

**QUESTION SIX**

- a) With the help of a diagram and assumption of one factor of production, labor; show how a production function behave. (2marks)
- b) With the aid of a diagram, define the following:
- i. Isoquant Line (4marks)
  - ii. Isocost Line (4marks)
- c) Using (a) (i) and (ii) above , explain the equilibrium of a production firm which uses capital and labor as the only factor inputs (use a diagram). (5marks)

---

**END**