



MUEO

MOI UNIVERSITY

**OFFICE OF THE DEPUTY VICE CHANCELLOR, ACADEMIC
AFFAIRS, RESEARCH & EXTENSION**

**UNIVERSITY EXAMINATIONS
2016/2017 ACADEMIC YEAR**

END OF SEMESTER EXAMINATIONS

**FOR THE DEGREE OF
BACHELOR OF BUSINESS AND ECONOMICS**

EXAM CODE:- ECO-110

COURSE TITLE:- INTRODUCTION TO MICROECONOMICS

DATE:- 9TH DECEMBER, 2016

TIME:- 2.00P.M. – 5.00P.M.

INSTRUCTION TO CANDIDATES

➤ **SEE INSIDE.**

THIS PAPER CONSISTS OF (2) PRINTED PAGES

PLEASE TURN OVER

DEPARTMENT OF ECONOMICS

ECO 110: INTRODUCTION TO MICROECONOMICS

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER THREE

TIME: 3 HOURS

Question One

- a. Explain the various determinants of demand for a good or a service (13 marks)
- b. What is a production function? (2 marks)
- c. Explain how a producer achieves an optimum least cost combination of factors of production .(4 marks)
- d. Discuss the relationship between a production function and an isoquant map. (3 marks)
- e. Using the concept of production function discuss how marginal product of labour and marginal product of capital can be obtained.(3 marks)

Question Two

- a. Consider the following demand and supply schedules:

Price/Unit	Quantity bought	Quantity sold
10	500	200
20	400	250
30	300	300
40	200	350
50	100	400

- i. Derive the demand and supply functions and show graphically. (4 Marks)
 - ii. Compute the price elasticities of demand and supply at the equilibrium point. (4 Marks)
 - iii. Suppose the price is fixed at 40. What would be the effect of that price in the market? (3 Marks)
- b. 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 Three

- a. Using 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 Four

- a. Explain five sources of monopoly power to a firm. (5 marks)
- b. Compare and contrast the monopolistic and the monopoly market structures.(5 marks)
- c. State the economic circumstances under which a perfectly competitive market may thrive.(5 marks)

Question Five

- a. Explain the term price control and give circumstances under which price control is considered necessary. (4 marks)
- b. i. With the aid of well-labeled diagrams, distinguish between price floors and Price ceilings. (5 marks)
- ii. What are the major consequences of each of the price control measures stated in b(i)? (6 marks)

Question six

- a. Define marginal utility and clearly explain the axiom of diminishing marginal utility.(5 marks)
- b. Illustrate using diagrams and explain the following:
 - (i) Consumer equilibrium under the cardinalist approach (5 marks)
 - (ii) Consumer equilibrium under the ordinalist approach (5 marks)