



MUEO

MOI UNIVERSITY

OFFICE OF THE DVC ACADEMIC AFFAIRS, RESEARCH AND EXTENSION

UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

FIRST YEAR END OF SEMESTER EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

EXAM CODE: ECO 110

EXAM TITLE: INTRODUCTION TO MICROECONOMICS

DATE: 19TH AUGUST, 2015

TIME: 9.00 A.M.–12.00 NOON

INSTRUCTION TO CANDIDATES

➤ SEE INSIDE

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PLEASE TURN OVER

INTRODUCTION TO MICROECONOMICS

ECO 110

Instructions to candidates

- i) Answer any four questions
- ii) All questions carry equal marks

QUESTION ONE

- a) Explain the difference between microeconomics and macroeconomics (9mks)
- b) Briefly discuss the factors that determine demand of a commodity (8mks)
- c) Examine the limitations of microeconomics (8mks)

QUESTION TWO

- a) Compare and contrast cardinal and ordinal utility theories (8mks)
- b) State and explain the properties of indifference curve (8mks)
- c) Using indifference curves explain the marginal rate of substitution (9mks)

QUESTION THREE

- a) Using diagrams explain the following movement and give reason why they occur
 - i. Movement along the demand curve
 - ii. Shift of the demand curve (9mks)
- b) Explain the property of isoquant curves in the production function (8mks)
- c) Distinguish between oligopolistic and monopolistic competition (8mks)

QUESTION FOUR

- a) Distinguish between marginal rate of substitution and marginal rate of technical substitution (10mks)
- b) With the help of a diagram distinguish the income effect and the substitution effect of price change. (15mks)

QUESTION FIVE

Explain the following terms

- i. Indifference curves
 - ii. Production possibility frontier
 - iii. Income elasticity
 - iv. Giffen goods
 - v. Economics as a normative science (5mks each)
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QUESTION SIX

“As the proportion of one factor in a combination of other factors is increased, after a point marginal and average product of the factor will diminish.” Discuss the statement with illustrations. (25mks)
