



MOI UNIVERSITY

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

UNIVERSITY EXAMINATIONS 2014/2015 ACADEMIC YEAR

FIRST YEAR END OF SEMESTER I EXAMINATIONS

**FOR THE DEGREE OF
BACHELOR OF ARTS/BACHELOR OF BUSINESS
MANAGEMENT**

COURSE CODE: ECO 110

EXAM TITLE: MATHEMATICS FOR ECONOMICS

DATE: 3RD DECEMBER, 2014 TIME: 2 .00 P.M. – 5.00 P.M.

INSTRUCTION TO CANDIDATES

➤ **SEE INSIDE.**

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INTRODUCTION TO MICROECONOMICS

ECO 110

QUESTION ONE

- a) Explain the following tools of economic analysis
 - I. The deduction method (7mks)
 - II. The inductive method (7mks)
- b) Examine the merits and demerits of the above tools of economic analysis (11mks)

QUESTION TWO

- a) Discuss the difference between the law of marginal returns and the law of returns to scale (15mks)
- b) Using illustration explain the least cost combination as applied in the production function (10mks)

QUESTION THREE

- a) Using diagrams explain the following movement and give reason why they occur
 - i. Movement along the demand curve (5mks)
 - ii. Shift of the demand curve (5mks)
- b) Explain the property of isoquant curves in the production function (7mks)
- 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. Budget line
- iii. Income elasticity
- iv. Giffen goods
- v. Economics as a normative science (5mks each)

QUESTION SIX

- a) Distinguish between short run and long run costs of a firm (10mks)
- b) With the help of a diagram explain why marginal revenue curve cut marginal cost curve from below. (15mks)