

## ECO 110: INTRODUCTION TO MICROECONOMICS

### ANSWER ANY THREE QUESTIONS

#### QUESTION ONE

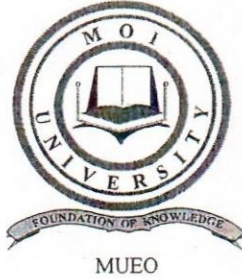
- a) Define the following economic concepts;  
Marginal Rate of Substitution and Marginal Rate of Technical Substitution. (4 Marks)
- Consumer Equilibrium (3 Marks)
- Scarcity and Choice (3 Marks)
- b) Differentiate between Price Elasticity of demand and Income Elasticity of demand. (6 Marks)
- c) Distinguish between microeconomics and macroeconomics (4 Marks)

#### QUESTION TWO

- a) Rationality and equilibrium are important concepts in the study of economics. Explain their meaning in reference to the cardinal utility theory. (6 Marks)
- b) Using the Indifference Curve analysis demonstrates how a household's equilibrium point is attained (7 Marks)
- c) Define the concept of Isoquants and state their properties (3 Marks)
- d) Evaluate briefly whether monopolistic competition is wasteful (4 Marks)

#### QUESTION THREE

- a) Assume that a consumer spends all his income in the purchase of two goods X and Y whose prices are Ksh. 40 and Ksh. 20 per unit respectively. The consumer's monthly income is sh. 15,000. He is satisfied with the various combinations of X and Y but prefers to spend his income in equal proportions on the commodities that is, at the ratio of 1:1 to maintain his level of satisfaction: Using clearly labeled diagrams: Show the relevant budget line and indifference curves indicating the equilibrium position of the consumer. (12 Marks)



# **MOI UNIVERSITY**

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

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## **UNIVERSITY EXAMINATIONS 2015/2016 ACADEMIC YEAR**

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**END OF SEMESTER FOUR EXAMINATIONS**

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

**EXAM CODE:- ECO 110**

**COURSE TITLE:- INTRODUCTION TO MICROECONOMICS**

**DATE:- 2<sup>ND</sup> NOVEMBER, 2016      TIME:- 9.00A.M – 12.00 NOON**

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INSTRUCTION TO CANDIDATES

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