



GARISSA UNIVERSITY

**UNIVERSITY EXAMINATION 2017/2018 ACADEMIC YEAR ONE
FIRST SEMESTER EXAMINATION**

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: ECO110/ BHR 103

COURSE TITLE: INTRODUCTION TO MICROECONOMICS

EXAMINATION DURATION: 3 HOURS

DATE: 13/12/17

TIME: 09.00-12.00 PM

INSTRUCTION TO CANDIDATES

- The examination has SIX (6) questions
- Question ONE (1) is COMPULSORY
- Choose any other THREE (3) questions from the remaining FIVE (5) questions
- Use sketch diagrams to illustrate your answer whenever necessary
- Do not carry mobile phones or any other written materials in examination room
- Do not write on this paper

This paper consists of THREE (3) printed pages

please turn over



QUESTION ONE (COMPULSORY)

- (a) Define economics and explain whether it is an art or a science [5 marks]
- (b) Briefly describe the factors which influence the demand for a given commodity [5 marks]
- (c) What is macroeconomics? Briefly outline the various areas which fall under macroeconomics [5 marks]
- (d) What do you understand by market equilibrium?. How is it attained [5 marks]
- (e) Briefly explain the various factors involved in production. [5 marks]

QUESTION TWO

- (a) Explain the conditions necessary for the existence of perfect competition. [8 marks]
- (b) Show that under perfect competition the price of each commodity equal to its both average and marginal cost. [7 marks]

QUESTION THREE

- (a) What do you understand by income elasticity of demand? [3 marks]
- (b) When Omollo's income increases from sh 2000 to sh 3000 his demand increases from 90 kg to 120 kg. Calculate income elasticity of demand. [12 marks]

QUESTION FOUR

- (a) What do you understand by resource allocation [3 marks]
- (b) Describe the various methods of allocating resources [12 marks]

QUESTION FIVE

- (a) Distinguish between fixed and variable costs [6 marks]
- (b) The data below shows tabulation on the production of a hypothetical product.

Output (Q) units	0	1	2	3	4	5	6	7	8
	25	32	38	42	48	58	67	78	98



Using the above data, determine

- | | | |
|------|---|-----------|
| i. | Total fixed cost | [3 marks] |
| ii. | Average variable cost when output equals 6 units | [3 marks] |
| iii. | Marginal cost of the 3 rd unit of output | [3 marks] |

QUESTION SIX

Write short notes on the following:

- | | |
|--------------------------------|-----------|
| (a) Factors determining supply | [5 marks] |
| (b) Microeconomics | [5 marks] |
| (c) Market demand | [5 marks] |

