



GARISSA UNIVERSITY

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

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: ECO 110

COURSE TITLE: INTRODUCTION TO MICROECONOMICS

EXAMINATION DURATION: 3 HOURS

DATE: 06/04/18

TIME: 2.00-5.00 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) Briefly discuss the factors which affect the own price elasticity of demand. **[4 marks]**
- (b) Explain why small firms continue to survive despite the advantage of large scales production **[8 marks]**
- (c) Explain the main characteristics of indifference curves. **[6 marks]**
- (d) The table below shows the demand and supply schedules for a product.

Price (Sh. Kg.)	Per Demand (Kg)	Supply (Kg.)
10	100	20
20	85	36
30	70	53
40	55	70
50	40	87
60	25	103
70	10	120

Required:

- i. Plot the demand and supply curves and determine the equilibrium price and quantity **[7 marks]**

QUESTION TWO

More economies are currently opting for free market systems as opposed to controlled systems. Compare the two systems describing their respective advantages and disadvantages. **[15 marks]**



QUESTION THREE

- (a) Clearly explain the distinction between supply, demand and equilibrium price. **[6 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]**
- (c) Outline the limitations of cardinal utility theories. **[5 marks]**

QUESTION FOUR

- (a) What are the main factors of production **[4 marks]**
- (b) Explain five factors influencing the location of a firm in Kenya **[5 marks]**
- (c) Briefly explain three (3) significance of mobility of factors of production. **[6 marks]**

QUESTION FIVE

- (a) What is meant by economies and diseconomies of scale **[4 marks]**
- (b) Briefly explain types of internal economies of scale to a firm. **[6 marks]**
- (c) Describe the relationship between the short run and long run average cost curves **[5 marks]**

QUESTION SIX

- (a) With the help of a diagram, explain the price-output position of a firm under monopolistic market structure in the long run period. **[7 marks]**
- (b) Compare and contrast equilibrium of a firm under perfect competition and monopoly market structure **[8 marks]**

