



GARISSA UNIVERSITY COLLEGE

(A Constituent College of Moi University)

**UNIVERSITY EXAMINATION 2016/2017 ACADEMIC YEAR ONE
SECOND SEMESTER EXAMINATION**

SUPPLEMENTARY/SPECIAL EXAMINATION

SCHOOL OF EDUCATION, ARTS AND SOCIAL SCIENCES

FOR THE DEGREE OF BACHELOR OF EDUCATION (ARTS)

COURSE CODE: ECO 110

COURSE TITLE: INTRODUCTION TO MICROECONOMICS

EXAMINATION DURATION: 3 HOURS

DATE: 28/09/17

TIME: 09.00-12.00 PM

INSTRUCTION TO CANDIDATES

- **The examination has FIVE (5) 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) What is the difference between monopoly market and monopolistic market? Give examples for each [4 marks]
- (b) Clearly distinguish between each of the following pairs of concepts
- i. Diminishing marginal utility and diminishing marginal rate of substitution [4 marks]
 - ii. Law of variable proportions and Law of returns to scale [4 marks]
 - iii. Macroeconomics and microeconomics [4 marks]
 - iv. Discuss four factor that influence demand for goods and services [4 marks]
- (c) Explain the uses of national income accounting. [5 Marks]
- (d) Briefly explain the main components of balance of payment [5 marks]

QUESTION TWO

- (a) With the help of economic tools where possible, briefly explain the meaning of the following terms.
- i. Consumer equilibrium [3 marks]
 - ii. Marginal rate of technical substitution [3 marks]
 - iii. Pareto efficiency [4 marks]
- (b) Giving examples explain the mandate of the central bank of Kenya [10 marks]

QUESTION THREE

- (a) A shoe company produces specially designed shoes. The demand trend for the shoe is as follows:-

Price KSh	Quantity of shoes demanded (units)
1500	200
2000	100

- i. Calculate the elasticity of demand and interpret it [5 marks]
 - ii. With reasons, determine the type of elasticity of demand. Estimated above [3 marks]
- (b) Explain the concept of partial equilibrium [5 marks]
- (c) Giving examples discuss the factor that influence consumer choice [6 marks]



QUESTION FOUR

- (a) Discuss the concept of equilibrium of a firm in the long run **[10 marks]**
- (b) State and explain the methods that the Kenyan government may use to curb the problem of balance of payment disequilibrium **[10 marks]**

QUESTION FIVE

- (a) Suppose that a consumer consumes two goods X and Y. Suppose further that X is a normal good and that the price of good X increases. With the aid of a well labeled diagram explain how the quantity of demand of good X will change, clearly isolating the income and substitution effects. **[8 marks]**
- (b) Discuss the approaches of measuring national income **[6 marks]**
- (c) State the limitations of national income statistics **[6 marks]**

