

KISII UNIVERSITY

UNIVERSITY EXAMINATIONS

MAIN CAMPUS

FIRST YEAR EXAMINATION FOR THE AWARD OF
THE DEGREE OF BACHELOR OF COMMERCE/BUSINESS
ADMINISTRATION

FIRST SEMESTER, 2014/2015
(SEPTEMBER-DECEMBER, 2014)

BCOM/BBAM101: PRINCIPLES OF MICRO ECONOMICS

STREAM: BCOM/BBAM: Y1 S1

TIME: 2 HOURS

DAY: WEDNESDAY, 8.00AM – 10.00AM

DATE: 10/12/2014

INSTRUCTIONS

1. *Do not write anything on this question paper.*
2. *Answer question ONE and any THREE other questions.*

1. (a) Explain any four limitations of consumer sovereignty. [5marks]

(b) Given the following demand and supply functions.

$$P + Q^2 + 3Q - 20 = 0$$

$$P - 3Q^2 + 10 = 5$$

Required:

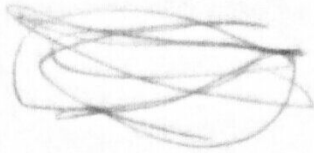
Equilibrium quantity and price: [5marks]

(c) Explain the following terms:

(i) Opportunity cost [3marks]

(ii) Giffen good [3marks]

(iii) Derived demand [3marks]



(d) With the aid of diagrams distinguish between "changes in quantity demanded" and change in demand. [6marks]

2. (a) Discuss how the price mechanism allocates resources in a free market system. [6marks]

(b) With the aid of diagrams explain the following terms:

(i) Kinked demand curve. [3marks]

(ii) Production possibility frontier. [3marks]

(c) Explain any three exceptions of the law of demand. [3marks]

✓ 3. (a) Explain the following terms:

(i) Marginal revenue. [3marks]

(ii) Fixed cost [3marks]

(b) With the aid of diagrams distinguish between "Minimum price control" and Maximum price control. [6marks]

(c) Discuss any three causes of inequalities of income in Kenya. [3marks]

✓ 4. (a) Explain four main features of a perfect competition market. [4marks]

(b) Elaborate the following terms:

(i) Price discrimination [3marks]

(ii) Complementary good. [3marks]

(c) Distinguish between necessary condition and sufficient condition. [5marks]

✓ 5. (a) Efficient resources allocation in Kenya is mandatory. Discuss. [5marks]

(b) Given the following cost function.

$$TC = 50 + 8Q - 4Q^2 + 6Q^3$$

Required:

(i) Marginal cost [3marks]

(ii) Average cost [3marks]

(c) Explain the term "Optimum size of a firm."