

**MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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**University Examinations 2015/2016**

FIRST YEAR, FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELORS OF COMMERCE.

AND

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELORS OF PURCHASING AND SUPPLIES MANAGEMENT.

**BEC 3102: PRINCIPLES OF MICRO- ECONOMICS.**

**DATE: AUGUST 2016 TIME: 2 HOURS**

**INSTRUCTIONS: -** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. Explain the following concepts in economics:
2. Goals of microeconomics policy (4 marks)
3. Scarcity and choice (2 marks)
4. Microeconomics and macroeconomics (2 marks)
5. Explain the factors that limit consumer sovereignty. (5 marks)
6. Explain the features of free market system. (5 marks)
7. You are given the following information regarding a certain firm with labour as the only variable input.

|  |  |
| --- | --- |
| Labour (L) | Total Product (TP) |
| 0  1  2  3  4  5  6  7  8  9  10 | -  100  220  360  460  530  570  595  600  594  560 |

Find: (i) Marginal Product (MP) (2 marks)

(ii) Average Product (AP) (2 marks)

1. Explain in details the properties of indifference curves. (8 marks)

**QUESTION TWO (20 MARKS)**

1. You are further given the following market model

Qd=19-p2

Qs=-8+1p2

Determine equilibrium price and quantity. (4 marks)

1. Consider the following total cost function C=3Q3-5Q2+4Q+150

Determine:

1. The fixed cost function (FC) (1 mark)
2. The variable cost function (VC) (1 mark)
3. The average fixed cost function (AFC) (1 mark)
4. The average variable cost function (AVC) (1 mark)
5. Show that ATC=AVC+AFC (2 marks)
6. Describe how firms achieve equilibrium in the short-run under perfect competition. (10 marks)

**QUESTION THREE (20 MARKS)**

1. Explain the distinguishing feature of oligopoly market structure. (6 marks)
2. Explain the exceptions to the law of demand. (4 marks)
3. By the use of diagram, explain how a consumer achieves equilibrium. (10 marks)

**QUESTION FOUR (20 MARKS)**

1. With the aid of diagram, explain the law of diminishing marginal returns to a factor (12 marks)
2. Distinguish between ordinal utility approach and cardinal utility approach. (8 marks)

**QUESTION FIVE (20 MARKS)**

1. Distinguish between shift in demand curve and movement along the demand curve. (4 marks)
2. Explain the factors that influence price elasticity of demand. (8 marks)
3. With aid of examples, distinguish between price elasticity of demand and cross price elasticity of demand. (8 marks)