**UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**P.O. Box 972-60200 – Meru-Kenya.**

 **Tel: 020-2069349, 061-2309217. 064-30320 Cell phone: +254 712524293, +254 789151411**

**Fax: 064-30321**

**Website:** [**www.mucst.ac.ke**](http://www.mucst.ac.ke) **Email:** **info@mucst.ac.ke**

**University Examinations 2014/2015**

FIRST YEAR, FIRST SEMESTER EXAMINATION FOR DIPLOMA IN PURCHASING AND SUPPLIES MANAGEMENT AND DIPLOMA IN BUSINESS ADMINISTRATION

**DPSM/DBA 0106: INTRODUCTION TO MICRO-ECONOMICS**

**DATE: DECEMBER 2014 TIME: 1**$\frac{1}{2}$ **HOURS**

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

**QUESTION ONE (30 MARKS)**

1. Briefly explain three exceptions to the law of demand (4 marks)
2. Briefly describe the relationship between scarcity, choice and opportunity cost

(6 marks)

1. State any five main characteristics of a monopoly market (5 marks)
2. Explain the following terms using appropriate examples (5 marks)
3. Fixed costs
4. Variable costs
5. Total costs
6. Average costs
7. Marginal costs
8. Briefly discuss five main reasons for high supply of a commodity in a market

(10 marks)

**SECTION B (20 MARKS)**

**QUESTION ONE**

1. Discuss five conditions that favour the effective use of price discrimination

(10 marks)

1. State the law of variables proportion (diminishing returns) and using appropriate graph explain the stages of production explained by the law (10 marks)

**QUESTION THREE (20 MARKS)**

1. With the aid of an appropriate diagram, explain how the price of a commodity is determined in a free market situation (10 marks)
2. Explain five factors that determine price elasticity of demand (10 marks)

**QUESTION FOUR (20 MARKS)**

1. Discuss five main ways in which the size of a firm may be determined (10 marks)
2. Discuss five advantages of a centrally planned economy (10 marks)

**QUESTION FIVE (20 MARKS)**

1. Discuss the barriers to occupational mobility of labour (10 marks)
2. Discuss five limitations of utility (cardinal utility) as explained by cardinalist marginal utility approach (10 marks)