



# MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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## University Examinations 2012/2013

FIRST YEAR, FIRST SEMESTER EXAMINATIONS FOR CERTIFICATE / DIPLOMA  
BUSINESS ADMINISTRATION

### DBA 0106: INTRODUCTION TO MICRO-ECONOMICS

DATE: DECEMBER 2012

TIME: 1½ HOURS

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

#### QUESTION ONE – (30 MARKS)

- (a) Briefly explain the following economic concepts
  - (i) Scarcity
  - (ii) Opportunity cost
  - (iii) Consumer sovereignty
  - (iv) Price liberalization
  - (v) Indifference curves. (10 Marks)
- (b) Highlight four types of demand (4 Marks)
- (c) Briefly explain the extent to which factors of production are mobile. (6 Marks)
- (d) Outline five internal economies of scale enjoyed by the firm. (5 Marks)
- (e) Highlight any five factors that influence supply of a commodity. (5 Marks)

#### QUESTION TWO – (20 MARKS)

- (a) Outline the assumptions of perfect competitive market. (10 Marks)
- (b) Highlight any five factors that contribute to monopoly factors. (10 Marks)

#### QUESTION THREE – (20 MARKS)

- (a) Explain five factors that influence price elasticity of demand. (10 Marks)
- (b) Explain five external economies of scale that occur to a firm. (10 Marks)

**QUESTION FOUR – (20 MARKS)**

- (a) State three types of supply. (3 Marks)
- (b) Differentiate between planned and free market economy. (3 Marks)
- (c) Highlight six features of free economic system. (6 Marks)
- (d) Explain four disadvantages of free economic system. (8 Marks)

**QUESTION FIVE – (20 MARKS)**

- (a) Differentiate between the following:
  - (i) Marginal cost and marginal revenue
  - (ii) Variable cost and fixed cost
  - (iii) Direct and indirect cost
  - (iv) Average cost and average revenue
  - (v) Total cost and total revenue (10 Marks)
- (b) (i) Differentiate between excess demand and supply. (5 Marks)
- (ii) Explain how equilibrium is established in the market. (5 Marks)