QUESTION ONE

a) Use graphic exposition to explain the characteristics for an indifference curves for a rational consumer. (6mks)

b) Distiguish between macroeconomics and microeconomics. (3mks)

c) With an appropriate examples, explain the meaning of the term rational self-interest as used in economic analysis. (2mks)

c) With the aid of a well labeled diagrams, distinguish between;

i) Price ceiling

ii) Price floor (4mks)

QUESTION TWO

The table below represents the Total Utily derived by a student at the university from the consumption of the three different goods:Kiwano (A), Managu (B) and Omena (C). The prices of per unit A,B and C are 5,3 and 2 respectively.

|  |  |  |  |
| --- | --- | --- | --- |
| No.of units consumed | Total utility of A | Total utility of B | Total utility C |
| 4 | 144 | 120 | 128 |
| 8 | 240 | 208 | 240 |
| 12 | 320 | 272 | 320 |
| 16 | 382 | 320 | 376 |
| 20 | 456 | 360 | 408 |
| 24 | 496 | 376 | 432 |
| 28 | 520 | 384 | 448 |

a) Determine the marginal utility for each good (6mks)

b) Find the optimal quantities of each good for consumption. (6mks)

c) Find the total expendicture at the optimal level of consumption. (3mks)

QUESTION THREE

a) Write short notes on the following;

i)Sscarcity and choice (2mks)

ii) Opportunity cost (2mks)

iii) Specialization and trade (2mks)

iv) Comparative advantage (2mks)

v) Production possibility curve or prontier (2mks)

b) Given the following function, calculate its elasticity and interpret your results.

Qδ=60- 15p + p²

QUESTION FOUR

a)Using a well labeled graph show how perfect competitive markets maximize their profits in short run. (5mks)

b) Using relevant examples explain five sources of monopoly power (10mks)

QUESTION FIVE

a) Q=15+5p

Q= 105-3p

Determine which one is demand and supply function (4mks)

b) Using a diagram show how different sectors of economy interact. (6mks)

c) Explain five factors that affect supply of goods in today’s market. (5mks)