****

**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY SCHOOL OF BUSINESS AND ECONOMICS**

**UNIVERSITY EXAMINATION FOR THE DIPLOMA IN BUSINESS ADMINISTRATION**

**1ST YEAR 1ST SEMESTER 2013/2014 ACADEMIC YEAR**

**MAIN**

**COURSE CODE:BEN 2111**

**COURSE TITLE: INTRODUCTION TO MICRO ECONOMICS**

**EXAM VENUE: STREAM: DIP. BA**

**DATE: 19/12/2013 EXAM SESSION: 2.00-3.30PM**

**TIME: 1.30 HOURS**

**Instructions:**

1. **Answer question 1 (Compulsory and ANY other 2 questions**
2. **Candidates are advised not to write on the question paper.**
3. **Candidates must hand in their answer booklets to the invigilator while in the examination room.**

**QUESTION ONE**

a) Clearly explain the distinction between supply, demand and equilibrium price. (6 marks)

b) State and briefly explain any four main factors that may cause a fall in the supply of a good in the market. (8 marks)

c) If there is an increase in demand for a good, discuss in what circumstances the price may be expected:

(i) to rise

(ii) to remain constant

(iii) to fall (9 marks)

c) The table below shows the demand and supply schedules for a product.

|  |  |  |
| --- | --- | --- |
| Price (Sh. Per Kg.) | Demand (Kg) | Supply (Kg.) |
| 10 | 100 | 20 |
| 20 | 85 | 36 |
| 30 | 70 | 53 |
| 40 | 55 | 70 |
| 50 | 40 | 87 |
| 60 | 25 | 103 |
| 70 | 10 | 120 |

**Required:**

Plot the demand and supply curves and determine the equilibrium price and quantity. (7 marks)

**(Total: 30 marks**)

**QUESTION TWO**

(a) Discuss the main factors of production (4 marks)

(b) Define the term ‘production function’ (3 marks)

(c) What determines the supply and demand of the factors of production that you have identified in (a) above? (8 marks)

**(Total: 15 marks)**

**QUESTION THREE**

a) Scarcity leads to choice, discuss this assertion giving relevant examples (5 marks)

b) i). Give the meaning of the term ‘Price Control’ (2 marks)

ii). Explain the circumstances under which price control is considered necessary. (8 marks)

**(Total: 15marks)**

**QUESTION FOUR**

a) Using relevant examples distinguish between a firm and an industry (5marks)

b) What factors determine the location of industries? Give examples where such factors have influenced the location of industries in Kenya. (10marks)

**(Total: 15 marks)**

**QUESTION FIVE**

What is meant by Joint Stock Company? Distinguish between Joint Stock Company and partnership in respect of the following:

i) Membership

ii) Liability

iii) Legal formalities **(Total: 15 marks)**