

# UNIVERSITY EXAMINATIONS 2014/2015 ACADEMIC YEAR MOMBASA CAMPUS

# 1<sup>st</sup> YEAR EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE/ TITLE: AEC 100: ELEMENTS OF

**MICROECONOMICS** 

END OF SEMESTER I DURATION: 3 HRS

DAY/TIME: MONDAY 8.00AM - 11.00AM DATE:8/12/2014

#### **INSTRUCTIONS:**

**Answer Four questions. Question One is compulsory** 

#### **Question One**

a) The laws of increasing returns, constant returns and diminishing returns are the three phases of the law of variable proportions. Explain threes three laws.

(10marks)

b) Explain the following concepts:-

i)	Income consumption curve	(3marks)
ii)	Price consumption curve	(3marks)
iii)	Marginal rate of technical substitution	(3marks)
iv)	Production function and factors of production.	(3marks)
v)	Demand schedule and demand curves	(3marks)

## **Question Two**

a) Explain the factors influencing the supply of commodity in the market.

(5marks)

b) Explain the shape and relationship between AC, AUC, MC and AFC curves using relevant diagrams. (5marks) c) Explain the significance of the concept of elasticity in practical life. (8marks) **Question Three** a) Do you consider economics as an art or a science? Explain your answer. (3marks) b) Discuss the importance and use of microeconomic. (5marks) c) Explain the limitations of microeconomics. (4marks) d) Briefly explain the exceptions of the law of demand. (3marks) **Question Four** a) Using diagrams, explain difference between a change in supply and a change in the quantity supplied. (5marks) b) Explain the reasons why the demand curve may shift or move along the curve. (5marks) c) Discuss the major determinants of elasticity of demand. (5marks) **Question Five** a) Discuss the merits and the demerits of inductive and deductive methods. (5marks) b) Write short notes on:-Scarcity and choice i) (2marks) Opportunity cost ii) (2marks) iii) The production possibility frontier. (2marks) c) Discuss the concept and the law of demand. (4marks)

### **Question Six**

Explain the following:-

- (3marks) a) The concept of an industry.
- b) With an illustration how price is determined unde5r monopoly. (6marks)
- c) Explain price discrimination and if it is justified. Five the condition necessary for successful price discrimination. (6marks)