PRINCIPLES OF MICROECONOMICS (ECON 101) 1ST TRIMESTER 2014

**KENYA METHODIST UNIVERSITY**

**END OF 1'***ST '***TRIMESTER 2014 (DAY) EXAMINATION**

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| **SCHOOL** |  | : | BUSINESS AND ECONOMICS |
| **DEPARTMENT** | | : | ECONOMICS AND STATISTICS |
| **UNIT CODE** |  | : | ECON 101 |
| **UNIT** | TITLE | : | PRINCIPLES OF MICROECONOMICS |

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| **TIME: 2 HOURS** |

**INSTRUCTIONS**

*Answer question one and any other two questions*

**Question One (30 marks)**

* Using a well labeled graph clearly explain the income and substitution effect of a price fall of a normal good
* Describe the factors that led to a fall in quantity demand of potatoes in a market
* Explain the characteristics of indifference curves

**Question Two (20 marks)**

* Explain clearly the sources of monopoly power
* Given the following economic functions distinguish between the demand and the supply function. Explain your answer

Qx = 10P2 – 18P + 200

Qy = -24P2+20P+200

**Question Three (20 marks)**

* Distinguish between a shift and a movement along the demand curve
* Given the following demand and supply functions, calculate the equilibrium price and quantity

Qd = 200 – 2p

Qs = 100 + 3P

**Question Four (20 marks)**

* Distinguish between monopoly and monopolistic competition markets
* Clearly explain the price control measures used by the government. What is the consequence of each

**Question Five (20 marks)**

Write short notes on the following

* Oligopoly markets
* Elasticity of demand
* Marginal intensity
* Opportunity cost

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| * Marginal cost |