MICROECONOMICS (BUSS 111) (ECON 101) 2ND TRIMESTER 2014

**KENYA METHODIST UNIVERSITY**

**END OF 2'***ND '***TRIMESTER 2014 (SB) EXAMINATION**

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| **FACULTY** |   | : | EDUCATION AND SOCIAL SCIENCES |
| **DEPARTMENT** | : | EDUCATION |
| **UNIT CODE** |   | : | BUSS 111/ECON 101 |
| **UNIT TITLE** | : | MICROECONOMICS |
| **TIME** |   |   | : | 2 HOURS |

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| ***INSTRUCTIONS:*** | Answer any THREE Questions |

**Question One**

* Differentiate between:
* Movement along the demand curve and shift in the demand curve.

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| --- | --- | --- | --- | --- |
| * Relative price and future price.
 |   |   |   | (4marks) |
| * Describe FOUR economic goods.
 |   |   |   |   | (8marks) |

* State the assumptions made under the indifference curve. (8marks)

**Question Two**

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| * Clearly discuss opportunity cost and its application in reference to production possibility curve.
 |   |   |   |   |   | (12marks) |
| * Explain the type of utility.
 |   |   |   |   | (8marks) |

**Question Three**

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| * With aid of well drawn graphs, explain the degrees of elasticity of demand.
 |   |   |   |   |   |   |   |   | (15marks) |
| * Highlight the importance of taxation.
 |   |   |   | (5marks) |

**Question Four**

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| * Discuss the qualities of a perfect market.
 |   |   |   | (10marks) |
| * Discuss the concept of price maximization.
 |   |   | (10marks) |

**Question Five**

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| * Give the importance of microeconomics knowledge.
 |   | (6marks) |

* Elucidate THREE types of tarrifs used in import and export trade.

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|   |   |   |   |   |   |   |   |   |   | (6marks) |

* Define the following and give relevant examples:
* Sunck cost
* Explicit cost
* Urgent cost

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| --- | --- | --- | --- | --- | --- | --- | --- |
| * Close-down cost.
 |   |   |   |   |   |   | (8marks) |