

**UNIVERSITY OF KABIANGA**

**UNIVERSITY EXAMINATIONS**

**2017/2018 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER EXAMINATIONS**

**FOR THE DEGREE OF BACHELOR OF ARTS ECONOMICS**

**COURSE CODE: ECO 110R**

**COURSE TITLE: INTRODUCTION TO MICRO-ECONOMICS**

**DATE: 2ND FEBRUARY 2018**

**TIME: 2.00 P.M-5.00 P.M**

**INSTRUCTIONS TO CANDIDATES:**

Answer Question **ONE** and any other **THREE** Questions

**Question One**

1. Explain the following concept;
2. Disequilibrium. (2 marks)
3. Deductive method. (2 marks)
4. Market structure. (2 marks)
5. Micro-economics. (2 marks)
6. Marginal rate of substitution. (2 marks)
7. The quantities (Q1 and Q2) of a product demanded at two different prices. That is P1 =Kshs. 100 and P2 =Kshs. 120 are; Q1 =25 units and Q2 =20 units. Compute the arc elasticity of demand. (3 marks)
8. Use the PPF production possibility frontier model to explain the economic concepts of scarcity, choice and opportunity cost. (4 marks)
9. Explain briefly the properties of indifference curves. (4 marks)
10. The demand and supply functions for a consumer good are given as: Qs =42000 + 212p and Qd =21120-136p. Determine the market clearing price and equilibrium quantity. (4 marks)

**Question Two**

1. Describe the relationship between specialization and exchange. (8 marks)
2. Explain the causes of external economies of scale. (7 marks)

**Question Three**

1. With the help of a well labelled diagrams, explain the law of return to scale. (10 marks)
2. Explain briefly any five applications of the concept elasticity. (5 marks)

**Question Four**

1. Explain the sources of monopoly power. (8 marks)
2. Explain using illustrations, a change in supply. (7 marks)

**Question Five**

1. Explain the basic economic problems of any society and how they are solved in capitalist and socialist economies. (10 marks)
2. Explain the need for price control system in an economy. (5 marks)