

**W1-2-60-1-6**

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

# **UNIVERSITY EXAMINATIONS 2014/2015**

SECOND YEAR FIRST SEMESTER EXAMINATIONS FOR THE DEGREE OF BACHELOR OF COMMERCE

**HBC 2205 : INTERMEDIATE MICROECONOMICS**

**DATE: APRIL 2015 TIME: 2 HOURS**

**INSTRUCTIONS:**

**ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

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**QUESTION ONE [30 MARKS]**

1. Explain the concepts of labour, capital and economic efficiency [6 marks]
2. Distinguish between :-
3. Nationalization and privatization [4 marks]
4. Internal and external externalities [4 marks]
5. Explain the main determinants of reservation wage [8 marks]
6. Describe four methods of dealing with external externalities [ 8 marks]

**QUESTION TWO**

1. Describe the characteristic of indifference curves [6 marks]
2. Use indifference curve analysis to show why workers must be paid higher rate for overtime. [14 marks]

**QUESTION THREE**

1. Explain conditions under which monopoly may price discriminately [6 marks]
2. Describe the effect of price discrimination , a situation where long run average cost curve (LAC) lies above demand curves. [14 marks]

**QUESTION FOUR**

Consider the following production function

Q=2L0.7K0.3. determine

1. Marginal product of labour vs capital
2. Marginal rate of substitution
3. Factor intensity
4. Return to scale [5 marks]

**QUESTION FIVE**

1. Describe the alternatives to profit maximization [6 marks]
2. Explain the disadvantages of nationalization [7 marks]
3. Should nationalized companies be compensated? [7 marks]