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**University Examinations 2014/2015**

FIRST YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR DIPLOMA IN PURCHASING AND SUPPLIES MANAGEMENT AND DIPLOMA IN BUSINESS ADMINISTRATION

**BFD 2101: INTRODUCTION TO MICROECONOMICS**

**DATE: OCTOBER 2015 TIME: 11/2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. Scarcity is the mother of all economic problems. Explain. (4 Marks)
2. Define the term consumer sovereignty and outline its limitations. (6 Marks)
3. Distinguish between shift in demand curve and movement along demand curve. (5 Marks)
4. With an aid of diagram, show the relationship between income and demand for inferior goods. (5 Marks)
5. State and explain four main determinants of supply (4 Marks)
6. With the aid of a well labeled diagram, explain the concept of market equilibrium. (6 Marks)

**QUESTION TWO (20 MARKS)**

1. A market-oriented economy may at times exhibit imperfections in the allocation of products and resources. Cite some examples in your economy. (10 Marks)
2. Explain five factors that may lead to labour immobility in your country. (10 Marks)

**QUESTION THREE (20 MARKS)**

1. Distinguish between extension of supply and increase in supply with the help of diagrams. (10 Marks)
2. State the law of diminishing marginal utility and state four assumptions of this law. (10 Marks)

**QUESTION FOUR (20 MARKS)**

1. State and explain five features of oligopoly. (10 Marks)
2. Define price discrimination. What are the major conditions for the existence of price discrimination? (10 Marks)

**QUESTION FIVE (20 MARKS)**

Discuss the benefits of internal and external economies of scale that accrue to a company as a result of expansion. (20 Marks)