UNIVERSITY OF EMBU

2017/2018 ACADEMIC YEAR

TRIMESTER EXAMINATIONS

EXAMINATION FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

IN BUSINESS ADMINISTRATION.

DCC 703: MICRO AND MACRO ECONOMIC ANALYSIS

DATE: AUGUST 2, 2018   TIME: 2:00-5:00PM

INSTRUCTIONS:
Answer Question ONE and ANY Other THREE Questions.

QUESTION ONE (25 MARKS)

a) In terms of labour market analysis, explain the meaning of the term 'production function'.
(2 marks)

i) Demonstrate the meaning of MRP and MRC in relation to production in the production markets.
(3 marks)

ii) Explain the profit maximizing condition for employing resources in production
(3 marks)

b) Explain the meaning and treatment of Transfer Payments in the computation of the National Income.
(5 marks)

c) The market for shoes has supply and demand curves given by $P' = 2Q^s$ and $P = 42 - Q^d$, respectively.

i)   How many units will be traded at a price of Kshs 100
(3 marks)

ii)   Which participants will be dissatisfied at these prices in (i) above?
(3 marks)

iii) Find the price and quantity of shoes at equilibrium   (3 marks)

iv) What is the Total Revenue for shoes sales at equilibrium level.   (3 marks)

QUESTION TWO (25 MARKS)

a) Explain any four factors that can influence the supply of computers in Kenya today.

(10 marks)

a) The market for computers has supply and demand curves given by $P' = 2Q^s$ and $P = 42 - Q^d$, respectively.

i) How many units will be traded at a price of Kshs 100   (4 marks)

ii) Which participants will be dissatisfied at these prices in (i) above?   (4 marks)

iii) The price and quantity of computers at equilibrium   (4 marks)

iv) What is the Total Revenue for computer sales at equilibrium level.   (3 marks)

QUESTION THREE (25 MARKS)

a) Analyse the three degrees of price discrimination by a monopolist operating in Kenyan market today.   (10 marks)

b) Suppose a discriminating monopolist is selling a product in two separate markets in which demand function are

$$P_1 = 12 - Q_1$$

$$P_2 = 20 - Q_2$$

The monopolist's total cost function is

$$TC = 3 + 2Q$$

As the economic adviser you are asked to determine the prices to be charged in the two markets and amount of output to be sold in each market so that the profits are maximized. You are also asked to calculate the total profits to be made from the strategy of price discrimination.

What advice would you give?   (15 marks)

QUESTION FOUR (25 MARKS)

a) Discuss the instruments of monetary policy by the Central Bank of Kenya clearly demonstrating how they are used to ensure economic stability in the country.
                                                                                   (10 marks)

b) In terms of economic stability in Kenya, analyse the key objectives of fiscal policy.
                                                                                   (15 marks)

QUESTION FIVE (25 MARKS)

a) Explain the following terms as used in relation to inflation situation in an economy.
   i)   Cost- push inflation   (2 marks)
   ii)   Hyper Inflation.   (3 marks)
   iii)   Stagflation.   (3 marks)
   iv)   Demand –pull inflation.   (2 marks)

b) Discuss the main causes of inflation in Kenya today and suggest ways of mitigating them.

                                                                                   (15 marks)

-END-

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