

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

## JOMO KENYATTA UNIVERSITY

**OF**

**AGRICULTURE AND TECHNOLOGY**

# University Examinations 2018/2019

**FIRST YEAR FIRST SEMESTER EXAMINATION FOR THE DIPLOMA IN BUSINESS ADMINISTRATION**

**HCB 0101 : MICROECONOMICS**

**DATE: APRIL 2019 TIME: 1½ HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER**

**TWO QUESTIONS.**

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**QUESTION ONE (30 MARKS)**

(a) Briefly explain three reasons why the study of economics is useful to individuals and firms. [6 marks]

(b) Distinguish between microeconomics and macroeconomics. [4 marks]

(c) Define the law of demand and state three exceptions to this law. [7 marks]

(d) State four factors that influence the supply of a commodity in the market. [4 marks]

(e) The following functions are given:

QS  =10 + 6P

QD = 20 – 4P

(i) Determine the equilibrium price. [2 marks]

(ii) Determine the equilibrium quantity. [2 marks]

(f) What is a factor of production? Briefly explain four factors of production. [5 marks]

**QUESTION TWO (15 MARKS)**

(a) Explain five main determines of price elasticity of supply. [10 marks]

(b) Explain the effect of the following changes on the demand for ice cream:

(i) A fall in the price of ice cream. [1 mark]

(ii) A health campaign which claims that ice cream makes you fat. [1 mark]

(iii) A rise in the price of substitute of ice cream. [1 mark]

(iv) A fall in the incomes of consumers. [1 mark]

(v) A rise in the wages of ice cream workers. [1 mark]

**QUESTION THREE (15 MARKS)**

(a) Outline three limitations of cardinal utility analysis. [6 marks]

(b) Define indifference curve using diagrams. Explain four features of indifference curves. [9 marks]

**QUESTION FOUR (15 MARKS)**

(a) Define the law of diminishing returns. With the aid of a diagram, illustrate the three phases of the law. [10 marks]

(b) State five main sources of monopoly power. [5 marks]

**QUESTION FIVE (15 MARKS)**

Write short notes on the following economic concepts:

(a) Production possibility frontier. [5 marks]

(b) Scarcity and choice. [5 marks]

(c) Perfect competitions. [5 marks]