

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

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2018/2019**

**YEAR I SEMESTER II EXAMINATION FOR THE DEGREE OF BACHELOR OF PROCUREMENT AND CONTRACT MANAGEMENT**

**HPS 2109/HPS 2114: MICROECONOMICS**

**DATE: AUGUST 2019 TIME: 2 HOURS**

**INSRUCTIONS: Answer question one and any other two questions.**

QUESTION ONE

a. Supported by well labeled diagrams and examples where appropriate distinguish between the following terms:

i. Micro economics and macroeconomics. (4 marks)

ii. Normal goods and inferior goods. (4 marks)

iii. Movement curve and isoquants curves. (4 marks)

iv. Marginal rate of substitutes and marginal rate of technical substitution.

(4 marks)

b. Suppose that due to heavy rains tomatoes plants are destroyed, consequently the price rises from Ksh400 to Ksh600 per 100 grams of tomatoes, and the quantity demanded decreases from 1000 units of 100 grams box to 600 boxes per week. Calculate the arc price elasticity of demand over this price ranges and describe the demand for tomatoes.

(4 marks)

c. Kenya produces Sugar and maize on the same land. Using a well labeled diagrams of production possibility curve for sugar and maize and clearly show the relationship between scarcity, choice and opportunity cost. (6 marks)

QUESTION TWO

a. Define the term indifference curves and highlight the properties of indifference curves.

(8 marks)

b. Using a well labeled diagram show how the demand curve is derived under the ordinal utility approach. (6 marks)

c. Explain the assumptions of cardinal utility approach to consumer behavior.

(6 marks)

QUESTION THREE

a. State the law of demand and highlight under which exceptional cases the law does not hold? (6 marks)

b. The demand and supply functions for a product are give as

Q1=100-4p

Q2=-50+6p

i. Identify which function represent the demand and which represent supply.

(2 marks)

ii. Determine the equilibrium price and quantity? (4 marks)

c. Discuss four source of monopoly market? (8 marks)

QUESTION FOUR

a. The total cost of a firm is estimated as TC=50+12Q+6Q2. Where Tc is the total cost in thousand of Ksh and Q is quantity.

i. If the firm is a perfectly competitive firm and the price of the product is ksh72, determine the optimal quantity. (5 marks)

ii. Highlight the features of a perfectly competitive market? Use diagrams where appropriate. (8 marks)

iii. Using a well labeled diagram explain the short run equilibrium of a monopolistic competitive firm? (7 marks)

QUESTION FIVE

a. Distinguish between fixed and variable costs. (4 marks)

b. State the law of diminishing returns and using a well labeled diagram explain the three stages of production. (10 marks)

c. With an aid of a well labeled diagram illustrate the equilibriums condition for a firm operating in an oligopoly structure. (6 marks)