



# MURANG'A UNIVERSITY OF TECHNOLOGY

## SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY POSTGRADUATE EXAMINATION

2017/2018 ACADEMIC YEAR

**FIRST YEAR SECOND SEMESTER EXAMINATION FOR MASTER OF  
BUSINESS ADMINISTRATION (FINANCE OPTION)**

BCE 613: MANAGERIAL ECONOMICS

DURATION: 3 HOURS

DATE: 21<sup>ST</sup> AUGUST, 2018

TIME: 9.00 A.M. – 12.00 NOON

### **Instructions to Candidates:**

1. Answer **Any Four** questions.
2. Mobile phones are not allowed in the examination room.

### QUESTION ONE (25 Marks)

- a) The relevant cost for most managerial decisions is the current cost of an input. What advantages or disadvantages do you see in using current costs for tax and stockholder reporting purposes? (10 marks)
- b) Discuss the “ five forces framework” that influence sustainable industry profits. (5 marks)
- c) Write short notes on the “Theory of the Firm” and its limitations (5 marks)
- d) Write short notes on GDP and GNP (5 marks)

### QUESTION TWO (25 Marks)

- a) The X-Corporation produces a good (called X) that is a normal good. Its competitor, Y-Corp., makes a substitute good that it markets under the name “Y. ”  
Good Y is an inferior good.
  - i. How will the demand for good X change if consumer incomes increase? (3 marks)
  - ii. How will the demand for good Y change if consumer incomes decrease? (3 marks)
  - iii. How will the demand for good X change if the price of good Y decreases? (3 marks)
  - iv. Is good Y a lower-quality product than good X? Explain. (3 marks)
- b) Good X is produced in a competitive market using input A. Explain what would happen to the supply of good X in each of the following situations:
  - i. The price of input A increases. (3 marks)
  - ii. An excise tax of Kshs.100 is imposed on good X. (3 marks)
  - iii. An ad valorem tax of 5 percent is imposed on good X. (3 marks)
  - iv. A technological change reduces the cost of producing additional units of good X.(4 marks)

### QUESTION THREE (25 Marks)

Kenya is planning to be a newly developed country by the year 2030. Towards meeting this objective, the country must aim at meeting all the seventeen sustainable development goals (SDG’s). List the seventeen SDGs and discuss the challenges in meeting any five of the SDGs.

(25 marks)

**QUESTION FOUR (25 Marks)**

- a) Discuss any four market structures and their characteristics (15 Marks)
- b) Discuss the factors that determine the price of a product in the market (10Marks)

**QUESTION FIVE (25 Marks)**

- a) Discuss the functions of a Central Bank in an economy (10 Marks)
- b) Describe the role of commercial banks in an economy (10 Marks)