



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION

2021/2022 ACADEMIC YEAR

**SECOND YEAR FIRSTSEMESTER EXAMINATION FOR, BACHELOR OF
SCIENCE IN MATHEMATICS AND ECONOMICS**

BCE 202– INTERMEDIATE MICROECONOMICS

DURATION: 2 HOURS

Instructions to candidates:

1. Answer question One and Any Other Two questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

SECTION A: ANSWER ALL QUESTIONS IN THIS SECTION

QUESTION ONE (30 MARKS)

- a) Explain the consumer's equilibrium using ***** utility theory. (10Marks)
- b) Using a suitable diagram, explain the relationships between Total cost, Marginal cost, Average cost and Total revenue. (10Marks)
- c) Discuss the three axioms of Revealed Preference Theory. (6Marks)
- d) Distinguish between Total utility and Marginal utility. (4Marks)

SECTION B – ANSWER ANY TWO QUESTIONS IN THIS SECTION

QUESTION TWO (20 MARKS)

- a) Discuss the significance of intermediate microeconomics to a student studying Bachelor Science in Mathematics and Economics. (10Marks)
- b) Explain the four factors of production and highlight their respective rewards. (10Marks)

QUESTION THREE (20 MARKS)

- a) Explain the relationship among Marginal cost, Average Revenue, Marginal revenue and Demand curve for a pure competition market structure. (10Marks)
- b) Discuss the application of indifference curves in Ordinalist Theory. (10Marks)

QUESTION FOUR (20 MARKS)

- a) Cardinalist theory is based on assumptions about the consumer. Explain the assumptions and short comings of this theory. (10Marks)
- b) State the features of Oligopoly Market Structure. (4Marks)
- c) CRV Limited operates as a monopoly firm and faces a demand curve

$$P = 26 - 2Q - 4Q^2$$

And average total cost curve:

$$ATC = Q + 8, \text{ Where } Q \text{ is Quantity}$$

P is Price .

Determine the maximum profits the firm can gain. (6Marks)