



# **MURANG'A UNIVERSITY OF TECHNOLOGY**

## **SCHOOL OF BUSINESS AND ECONOMICS**

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION

2020/2021 ACADEMIC YEAR

**THIRD YEAR FIRSTSEMESTER EXAMINATION FOR, BACHELOR OF  
EDUCATION SCIENCES**

**BCE 300– ADVANCED 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) What is meant by technique of production. (2Marks)
- b) Identify four factors which affect the choice of production technique. (8Marks)
- c) Illustrate five assumptions that explain how a consumer reaches an equilibrium position according to indifference curve techniques. (10Marks)
- d) What is a price line? How does it change? Use a graph representation. (10Marks)

**SECTION B – ANSWER ANY TWO QUESTIONS IN THIS SECTION**

**QUESTION TWO (20 MARKS)**

- a) Give a brief view of five theories of wage determination. (10Marks)
- b) Identify five criticism of the Cobb Douglass production Function by Arrow Chinery Minhas and Solow (10Marks)

**QUESTION THREE (20 MARKS)**

- a) Distinguish between income and substitution effects. (4Marks)
- b) How is profit determined. (6Marks)
- c) Various theories of profit have been presented by various economists from time to time. Discuss five theories. (10Marks)

**QUESTION FOUR (20 MARKS)**

- a) Illustrate using a diagram /graph the stages of production implied by the law of diminishing returns. (10Marks)
- b) Explain five weaknesses Trade unions movement in our country suffer from. (10Marks)