



**MURANG'A UNIVERSITY OF TECHNOLOGY**  
**SCHOOL OF AGRICULTURE AND ENVIRONMENTAL**  
**STUDIES**

DEPARTMENT OF AGRICULTURE

UNIVERSITY ORDINARY EXAMINATION

2023/2024 ACADEMIC YEAR

**FOURTH YEAR FIRST SEMESTER EXAMINATION**  
FOR BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT AND  
ENTERPRISE DEVELOPMENT

GAE403: MANAGERIAL ECONOMICS

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 (30 MARKS)**

### **QUESTION ONE (30 MARKS)**

- a. Assume that you re a manager and have limited resources to develop a product for your business to run. Describe four decision making steps that you will use when allocating resources. (8 marks)
- b. Explain the assumption of the neoclassical model of a turn. (6 marks)
- c. Critique the profit maximization model used in managerial and behavioural schedule of thought. (6 marks)
- d. Explain the nature of managerial economics. (10 marks)

## **SECTION B (40 MARKS) ANSWER ANY TWO QUESTIONS**

### **QUESTION TWO (20 MARKS)**

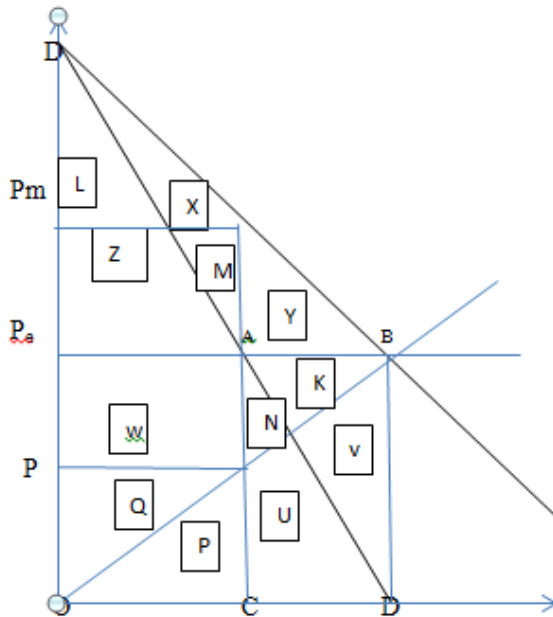
- a. Explain the meaning of the following terms
  - i. Incremental cost principle. (3 marks)
  - ii. Opportunity cost principle. (3 marks)
  - iii. Equi-marginal principle. (3 marks)
  - iv. Producer possibility structure. (3 marks)
- b. Explain why the elasticity is important in an economy. (8 marks)

### **QUESTION THREE (20 MARKS)**

- a. Explain the law of variable proportion. (5 marks)
- b. With the aid of suitable illustration, describe the application of internal economics. (6 marks)
- c. Describe THREE types of price discrimination. (9 marks)

**QUESTION FOUR (20 MARKS)**

- a. Use the following graph to compare the welfare benefits derived from... competitive market verse pure monopoly



Identify the following areas

- i. Consumer surplus under pure competition (2 marks)
  - ii. Consumer surplus under pure competition under monopoly. (2 marks)
  - iii. Producer surplus under pure competition (2 marks)
- b. Study the following table and answer the questions that follow for a game with the indicated payoff matrix

	Player B		
Payer A	-1	2	-2
	6	4	-6

Determine the best strategy for players A and B and also the value of the game.

- i. Fair (3 marks)
- ii. Strictly determinable. (3 marks)