



MURANG'A UNIVERSITY COLLEGE
(A constituent college of Jomo Kenyatta University of Agriculture and Technology)

DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

END OF SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN HUMAN RESOURCE MANAGEMENT

UNIT NAME : MICROECONOMICS

UNIT CODE:

DATE: 9 DECEMBER 2013

TIME ALLOWED – 2 HOURS

INSTRUCTIONS TO CANDIDATES:-

Answer question one (compulsory) and any other two questions

QUESTION 1

- a) With the aid of well labeled diagrams distinguish between the following sets of items.
- (i) Change in demand and change in quantity demanded (4 mrks)
 - (ii) Price floors and price ceilings (4 mrks)
 - (iii) Normal profits and supernormal profits (4mrks)
- (b) The following economic functions have been derived by the finance manager of Kirinyaga Tea Limited.
- $$Q_a = 3P^2 - 4P$$
- $$Q_b = 24 - P^2$$
- Where p represents price and Q is the quantity.
- (i) Which of the two functions represents the demand and the supply curve and why? (4 mrks).
 - (ii) At what values of price and quantity is the market in equilibrium (4 mrks)
 - (iii) Explain the impact on the equilibrium price and quantity in b (ii) above of a simultaneous decrease in supply and increase in demand of the commodity. (4 marks)
- (c) Discuss the salient features of a perfectly competitive market (6marks)

QUESTION 2

- (a) The total cost equation in the production of bacon at some hypothetical factory is given by:-

$$C = 1000 + 100Q - 15Q^2 + Q^3$$

Where C= Cost measured in shillings, while Q= quantity measured in kilogrammes

- (i) Compute the total and average costs at output level of 10 and 11 kilograms (6 marks)
- (ii) What is the marginal cost at the 12th kilogram? (4 marks)

(b) Using a suitable diagram, explain the three stages of the law of variable proportions (10 marks).

QUESTION 3

- (a) Explain any three circumstances under which the concept of opportunity cost is applied in an economy (6 marks).
- (b) Describe any five factors that may cause a shift of the supply in an economy (10 marks)
- (c) The following data relate to a household's consumption of commodity X.

Units consumed	Total utility
0	0
10	210
20	350
30	410
40	460
50	500
60	530
70	530

Plot the marginal utility curve and comment on its shape (4 marks)

QUESTION 4

- (a) More economies of the world are currently opting for free market systems as opposed to controlled systems. Compare the two systems describing their respective advantages and disadvantages (10 marks)
- (b) Explain five major sources of monopoly power. (10 marks)

QUESTION 5

- (a) Discuss the properties of indifference curves (3 marks)
- (b) Summarize the exceptions to the law of demand (3 marks)
- (c) A firm operating under perfect competition is faced with the following demand and total cost functions
 $Q = 100 - 4P$
 $C = 50 + 20Q$
 Required: The profit maximizing level of output. (6 marks)
- (d) Discuss the barriers to occupational mobility of labour (8 marks)



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SCHOOL OF BUSINESS AND ECONOMICS
DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

**SPECIAL / SUPPLEMENTARY EXAMINATIONS FOR THE DEGREE BACHELOR OF
SCIENCE IN HUMAN RESOURCE MANAGEMENT**

UNIT NAME : MICROECONOMICS
UNIT CODE:

ATE: **TIME ALLOWED – 2 HOURS**

INSTRUCTIONS TO CANDIDATES:-

Answer question one (compulsory) and any other two questions

QUESTION 1

- (a) Write short notes on the following economic concepts
- (i) Scarcity and Choice
 - (ii) Production possibility frontier
 - (iii) Positive and normative economics
 - (iv) Maximum and minimum price controls (8mrks)
- (b) The demand and supply functions of commodity X are given as follows:
 $Q_d = 20 - 1/3P$
 $Q_s = -15 + 1/2P$
Required:
- (i) The equilibrium price and quantity of commodity X (6mrks).
 - (ii) With the aid of a well labeled diagram, explain the impact on the equilibrium price and quantity in b (i) above of a simultaneous decrease in supply and increase in demand of commodity X (4mrks)
- (c) Briefly discuss any five factors that may cause a fall in the supply of a good in the market.
(5 mrks)
- (d) Identify the salient features of a monopolistic market structure (4 mrks)
- (e) Outline any three assumptions to the law of variable proportions (3mrks)

QUESTION 2

- (a) Distinguish between price elasticity of demand and cross elasticity of demand (4mrks)
- (b) Using indifference curve analysis, explain the consumer equilibrium position (6 mrks)
- (c) Discuss the barriers to geographical mobility of labour (10 mrks)

QUESTION 3

- (a) The cost function of a firm is given as:-

$$TC = 200 + 2Q^2 + 50Q$$

Where TC is the total cost and Q is the quantity.

Required: Compute the average fixed cost function, average variable cost function and the marginal cost function of the firm (6mrks)

- (b) With the aid of a well labeled diagram, discuss the three stages of production (10mrks)
(c) Highlight any four factors that may cause an inward shift of the demand curve (4 mrks)

QUESTION 4

- (a) Discuss the features of a free market economic system (10 mrks)
(b) Discuss the importance of the concept of elasticity of demand (10 mrks)

QUESTION 5

- (a) What are the main factors of production?. Give a detailed explanation of each factor. (8 mrks)
(b) Define marginal utility and clearly explain the law of diminishing marginal utility (4 mrks)
(c) Distinguish between a change in supply and a change in the quantity supplied (4 mrks)
(d) Discuss any four policies to assist occupational mobility of labour (4 mrks)