



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAIN CAMPUS

SUPPLEMENTARY / SPECIAL UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER EXAMINATIONS

**FOR THE DEGREE
OF
BACHELOR OF COMMERCE**

COURSE CODE: HBC 2104

COURSE TITLE: MICROECONOMICS

DATE: 6TH AUGUST 2015

TIME: 2.00-4.00PM

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer THREE (3) questions

MRUC observes ZERO tolerance to examination irregularities

This Paper Consists of 2 Printed Pages. Please Turn Over. ►

QUESTION 1

- (a) Summarize the exceptions to the law of demand (6 marks)
- (b) Discuss the barriers to geographical mobility of labour (10 marks)
- (c) Explain the salient features of a mixed economic system (10 marks)
- (d) Describe any four factors that may cause a fall in the supply of a good in the market (4 marks)

QUESTION 2

- (a) A firm operating under perfect competition is faced with the following demand and total cost functions

$$Q = 100 - 4P$$

$$C = 50 + 2Q$$

- Required: the profit maximizing level of output (6 marks).
- (b) Explain the factors responsible for the downward shift in the demand curve (10 marks)
- (c) Distinguish between own price elasticity of demand and cross price elasticity of demand (4 marks)

QUESTION 3

- Outline three limitations of indifference curves in economic analysis (3 marks)
- Discuss any four sources of monopoly power (8 marks)
- Distinguish between individual demand and market demand with the aid of a well labeled diagram (9 marks)

QUESTION 4

State the law of variable proportions. Explain the key assumptions underlying this law (10 marks)

Write short notes on the following fundamental concepts: (10 marks)

- (i) Scarcity and choice
- (ii) Opportunity cost
- (iii) Production possibility frontier
- (iv) Positive and normative economics