



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: 26TH OCTOBER 2015

TIME: 2 HOURS

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