



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

FOR BACHELOR

OF

BUSINESS AND INFORMATION TECHNOLOGY.

COURSE CODE: HBT 2104/ HBC 2104

COURSE TITLE: MICRO ECONOMICS.

DATE: 26TH APRIL 2016

TIME: 2 HOURS.

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer ANY OTHER TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities



QUESTION ONE.

- a) What is Economics? Explain the reasons why economics problems arise. (8 marks.)
- b) Write short notes on the following and illustrate by the help of graph diagrams;
 - i. Less elastic demand (3 marks.)
 - ii. More elastic demand (3 marks.)
 - iii. Inelastic demand (3 marks.)
 - iv. Infinite elastic demand. (3 marks.)
- c) Discuss FIVE factors affecting the location of an industry. (10 marks.)

QUESTION TWO

- a) Explain FIVE ways the government can influence the allocation of resources in a country. (10 marks.)
- b) Explain the following with use of diagrams
 - i. Effects of change in demand when supply remains constant. (3 marks.)
 - ii. Effects of change in supply when demand remains constant (3 marks.)
 - iii. Demand and supply rise at the same proportion. (4 marks.)

QUESTION THREE

- a) Gatheru and Karibu graduated from MKUNBI University and instead of seeking employment, set up a Management Consultancy. They have recently started to give business advice to their clients. Acting as consultants, they have estimated the demand curve of a client's firm to be;

$$AR = 200 - Q$$

Where AR is average revenue in millions of shillings and Q is the output in units.

Investigations of the clients firm's cost profile shows that marginal cost (MC) is given by: $MC = Q^2 - 28Q + 211$ (in millions of shillings) Further investigations have shown that the firm's cost when not producing output is Sh.10 million.

Required:

- a) The equation of total cost. (4 marks)
 - b) The equation of total revenue (3 marks)
 - c) An expression for profit (2 marks)
 - d) The level of output that maximizes profit. (4 marks)
 - e) The equation of marginal revenue. (2 marks)
- b) Explain the FOUR factors of production and state their rewards. (5 marks)

QUESTION FOUR

- a) Trade unions demand for higher wages is normally based on several grounds. Discuss FIVE factors. (10 marks)
- b) Monopolistic competition is a form of imperfect competition which lies between the extremes of perfect competition and monopoly and includes elements of both. Explain:
 - i. Features from the monopoly: (5 marks)
 - ii. Features from perfect competition: (5 marks)