



**MURANG'A UNIVERSITY COLLEGE**  
(A Constituent College of Jomo Kenyatta University of Agriculture and Technology)

**EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE.**

**HBC2104/HPS 2114 INTRODUCTION TO MICRO-ECONOMICS/MICRO-ECONOMICS**

**YEAR I: SUPPLIMENTARY/SPECIAL EXAMINATION**

**DATE: 12<sup>TH</sup> MAY, 2014**

**DURATION: 2 HOURS**

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**INSTRUCTIONS**

**Question One is compulsory. Answer any other two questions**

**Question One**

(a) Distinguish between “individual demand” and “market demand” (3 mks).

(b) Write short notes on the following fundamental concepts in economics.

(i) Scarcity and choice.

(ii) Opportunity cost.

(iii) Positive and normative economics

(7 mks).

(c) Describe any five factors that might cause a shift of the supply curve in an economy. (10 mks).

d) Explain the factors that determine price elasticity of supply (10mks)

**Question Two**

a.) Highlight five factors that determine price elasticity of demand (10mks)

b) Explain five key features of a mixed economic system. (10 mks).

### **Question Three**

- (a) With the aid of a well labeled diagram explain the profit maximizing level of output of a firm in a perfectly competitive market structure. (6 mks).
- (b) Identify the factors that influence the success of a price cartel. (5 mks).
- (c) Explain any four factors of production (8 mks).

### **Question Four**

- (a) Explain any four uses of indifference curve analysis (8 mks).
- (b) Explain the meaning of mobility of factors of production. To what extent are factors of production mobile? (6 mks).
- (c) (i) Outline four factors that determine price elasticity of demand for a commodity (4 mks).  
(ii) Define the term cross elasticity of demand (2 mks).

### **Question five**

- (a) Explain the factors that could lead to leftward shift in the demand curve (10mks)
- (b) Explain any five assumption of the law of variable proportions as applied in production theory (10 mks).