



## MURANG'A UNIVERSITY COLLEGE (MRUC)

(A Constituent College of Jomo Kenyatta university of Agriculture & Technology)

### END OF SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS IN INFORMATION TECHNOLOGY (BBIT)

UNIT CODE: HBT 2104

MICROECONOMICS

DATE:

TIME: 3 HOURS

#### INSTRUCTIONS

Answer Question ONE and any OTHER TWO Questions.

a) With the aid of well labeled diagrams distinguish between the following sets of items.

- (i) Change in supply and change in quantity supplied. (4 marks)
- (ii) Change in demand and change in quantity demanded. (4 marks)
- (iii) Normal profits and super normal profits. (4 marks)

(b) Describe five factors that may cause a shift of the supply curve in an economy.

(10 marks)

(c) The following economic functions have been derived by the finance manager of the Kenya tea limited

$$Q_a = 3P^2 - 4P$$

$$Q_b = 24 - P^2$$

Where P represents price and Q is quantity

**Required**

- (i) Which of the *two* functions represents the demand and supply curve and why? (4 marks)
- (ii) At what values of price and quantity is the market in equilibrium (4 marks)
- Q2 (a) Explain the salient features of a perfectly competitive market. (5 marks)
- (b) Using indifference curve analysis, explain the consumer equilibrium position. (5 marks)
- (c) Discuss the barriers to occupational mobility of labour. (10marks)
- Q3(a) Explain *four* types of economic costs incurred by a firm in its production activities. (4 marks)
- (b) With the aid of a well labeled diagram, distinguish between the income effect and substitution effect of a change in the price of a normal good. (6 marks)
- (c) Discuss fully the *three* main stages associated with the law of variable proportions. (10 marks)
- Q4(a) Discuss the importance of the concept of elasticity of demand. (10 marks)
- (b) Discuss the advantages of a centrally planned economy. (10 marks)
- Q5(a) 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)
- (b) Describe *five* circumstances under which the concept of opportunity cost is applied 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 it's shape.

(4 marks)

