



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION

2017/2018 ACADEMIC YEAR

**FIRST YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF SCIENCE IN MATHEMATICS AND ECONOMICS**

BCE 100 – INTRODUCTION TO MICROECONOMICS

DURATION: 2 HOURS

DATE: 14TH DECEMBER, 2017

TIME: 2.00 – 4.00 P.M.

Instructions to Candidates:

1. Answer **Question 1** and **Any Other Two** questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

SECTION ONE - COMPULSORY

QUESTION ONE (30 Marks)

- (a) Explain the following economic concepts:
- i. Need and Want (2 Marks)
 - ii. Scarcity and Choice (2 Marks)
 - iii. Opportunity cost (2 Marks)
 - iv. Production possibility frontier (2 Marks)
 - v. Supply and Demand (2 Marks)
- (b) Using the following demand and supply functions of commodity X, compute the equilibrium price and quantity (10 Marks)
- $$Q_d = 100 - 2P$$
- $$Q_s = 40 - 4P$$
- (c) Ceteris Paribus, use a diagram to illustrate and explain the effect on the value in (b) from:
- i. A fall in the prices of X's substitute (5 Marks)
 - ii. A simultaneous increase in input prices and a rise in consumer income (5 Marks)

SECTION TWO – ANSWER ANY TWO QUESTIONS

QUESTION TWO (20 Marks)

- (a) Explain each one of the following market structures and characteristics:
- i. Oligopoly (1 Mark)
 - ii. Monopoly (1 Mark)
 - iii. Monopolistic competition (1 Mark)
 - iv. Perfect competition (1 Mark)
- (b) Discuss any SIX factors that determine the demand of a product in the market and graphically demonstrate and explain
- i. A movement along the demand curve (8 Marks)
 - ii. Rightward shift in the demand curve (8 Marks)

QUESTION THREE (20 Marks)

- (a) Kenya is planning to be a newly developed county by year 2030. What obstacles are likely to impede the achievement of this objective and what steps might be taken to overcome the obstacles (10 Marks)

- (b) Distinguish between economic growth and economic development (5 Marks)
- (c) Explain how fiscal and monetary policy can be used to accelerate economic growth and economic development respectively (5 Marks)

QUESTION FOUR (20 Marks)

- (a) Discuss FIVE functions of the Central Bank in an economy (10 Marks)
- (b) Describe five functions of Commercial Banks in an economy (10 Marks)