



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

UNIVERSITY ORDINARY EXAMINATION

2017/2018 ACADEMIC YEAR

**THIRD YEAR FIRST SEMESTER EXAMINATION FOR THE BACHELOR OF
SCIENCE: MATHEMATICS AND CONOMICS**

BCE401–ADVANCED MICROECONOMICS

DURATION:2 HOURS

DATE: 19TH DECEMBER, 2017

TIME: 9.00- 11.00 A.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

- (a) Outline recent development in the theory of the firm. (5 marks)
- (b) Identify two types of risk. (4 marks)
- (c) Recall the two main objectives of a consumer. (4 marks)
- (d) Describe two characteristics of a profit function. (5 marks).
- (e) In the short-run, Firm A'S production function is captured by the function: $Q = L^{1/2}$. Assume the price of L is w. Calculate the firm's maximum profit. (12 marks)

SECTION TWO – ANSWER ANY TWO QUESTIONS

QUESTION TWO

- (a) Considering 3 recent developments in the consumer theory, explain their effects on welfare economics. (10 marks)
- (b) Suppose an individual's utility function is given as $U(x_1, x_2) = x_1x_2$. The price of x_1 is P_1 and the price of x_2 is P_2 . While income is M . Solve the consumer's optimization problem. (10 marks)

QUESTION THREE.

- (a) Reconstruct three key arguments of the Capital theory. (10 marks)
- (b) Interpret three properties of a cost function. (10 marks)

QUESTION FOUR

- (a) Breakdown the following concepts. (5marks each)
- i. Welfare economics.
 - ii. General equilibrium.
 - iii. Production function.
 - iv. Microeconomics.