



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

SUPPLEMENTARY UNIVERSITY EXAMINATIONS

2016/2017 ACADEMIC YEAR

FOR

BSC. MATHEMATICS AND ECONOMICS.

COURSE CODE: BCE 2102

COURSE TITLE: MICRO ECONOMICS II.

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) Write short notes on the following and indicate 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.)
- b) Explain FIVE ways the government can influence the allocation of resources in a country. (10 marks.)
- c) The law of diminishing marginal utility does not apply in certain cases known as exceptions of these law. Discuss at least FOUR exceptions. (8 marks.)

QUESTION TWO

- a) 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.)
- 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)

QUESTION THREE

- a) Discuss FOUR Disadvantages of price mechanism. (8 marks.)
- b) Two suspects are charged with a joint crime, and are held separately by the police. Each prisoner is told the following: If one prisoner confesses and the other one does not, the former will be given a reward of 1 and the later will receive a fine equal to 2, If both confess, each will receive a fine equal to 1 and If neither confesses, both will be set free.
- Required:
- i. Show a pay-off bi-matrix (8 marks)
 - ii. Solve the game and show the Nash equilibrium. (4 marks)

QUESTION FOUR

- a) Explain FIVE factors responsible for wage differentials between occupations. (10 marks)
- b) Illustrate the meaning of the following terms.
- i. Composite supply
 - ii. Derived demand
 - iii. Game theory
 - iv. Dominant Strategy
 - v. Pareto efficiency