KIBABII UNIVERSITY COLLEGE (KIBUCO)

MAIN CAMPUS

UNIVERSITY EXAMINATIONS
2014 /2015 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER EXAMINATIONS

MAIN EXAMINATION

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: ECO 201/301

COURSE TITLE: INTERMEDIATE MICRO ECONOMICS

DATE: 14TH JANUARY 2015   **TIME: 11.30-1.30 P.M**

INSTRUCTIONS TO CANDIDATES:

Answer Question ONE and any other Two Questions

TIME: 2 Hours

SECTION A (COMPULSORY)

Q1. (a) Explain the ordinal theory to the measurement of utility   (5 marks)

(b) Mention rewards to factors of production   (4 marks)

(c) Explain,with use of a diagram, the budget constraint line   (5 marks)

(d) What is consumer equilibrium?   (3 marks)

(e) Explain the Income Consumption curve   (4 marks)

(f) Highlight four disadvantages of specialization.   (4 marks)

(g) Given the following total cost function:

$TC=25+4Q+2Q^2+3Q^3$

Derive i) marginal cost   (2 marks)

ii) Average Cost   (2 marks)

Q2 (a) What is 'Oligopoly'?   (2 marks)

(b) Using a well-labelled diagram, explain why prices are 'sticky' downwards under an oligopolistic market structure.   (10 marks)

(c) Explain Four advantage of a monopolist   (8 marks)

Q3. (a) (i) State the law of variable proportions   (2 marks)

(ii) Explain key assumptions underlying the law of variable proportions   (6 marks)

(b) Discuss fully the three main stages associated with the law   (12 marks)

Q4. (a) What are the main factors of production?   (14 marks)

b) Define 'production function'.   (2 marks)

c) What determines

Q5 (a) (i) What is an Indifference curve?   (2 marks)

(ii) Explain the main characteristics of indifference curves.   (8 marks)

(b) Briefly explain two exceptions to the definition of an indifference curve.   (4 marks)

(c) Explain THREE uses of indifference curve analysis   (6 marks)