



# **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:** JANUARY 2015      **TIME:**

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### **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)
- 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)