



KIBABII UNIVERSITY COLLEGE (KIBUCO)

MAIN CAMPUS

**UNIVERSITY EXAMINATIONS
2014 /2015 ACADEMIC YEAR**

FIRST YEAR FIRST SEMESTER EXAMINATIONS

MAIN EXAMINATION

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: ECO 101

COURSE TITLE: INTRODUCTION TO MICROECONOMICS

DATE: 20TH JANUARY 2015

TIME: 3.00-5.00 P.M

INSTRUCTIONS TO CANDIDATES:

Answer Question ONE and any other Two Questions

TIME: 2 Hours

SECTION A (30 MARKS) COMPULSORY

Q1 (a) write short notes on the following:-

- i) Positive and normative economics (5 marks)
- ii) Price mechanism (5 marks)
- iii) Scarcity and choice (5 marks)
- iv) Price elasticity of demand (5 marks)

(b) Illustrate and explain THREE stages associated with the law of variable proportions

(10 marks)

SECTION B

Answer any two questions from this section

Q2. (a) Distinguish between movement along a demand curve and a shift of the demand curve.

(5 marks)

(b) Explain five factors that may lead to a decrease in demand for bread in Kenya (10 marks)

Q3. (a) With help of a diagram, explain the concepts of equilibrium price in economics (5 marks)

(b) (i) What is minimum price legislation? (2 marks)

(ii) Explain consequences of the government fixing the price of a commodity below equilibrium

(8 marks)

Q4. (a) Discuss arguments for and against the existence of monopolies. (8 marks)

(b) Describe four (4) features of a monopoly market (8 marks)

(c) Explain the linked demand curve under oligopoly (4 marks)

Q5(a) Discuss the barriers to occupational mobility of labour (10 marks)

(b) Explain characteristics of free market economy (10 marks)