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**University Examinations 2015/2016**

FIRST YEAR FIRST SEMESTER EXAMINATION FOR

DIPLOMA IN

BUSINESS ADMINISTRATION

**BED 2101: INTRODUCTION TO MICRO-ECONOMICS**

**DATE: AUGUST 2016 TIME: 1 ½ HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two***questions.

**QUESTION ONE (30 MARKS)**

1. Distinguish between the following terms as used in economics
2. Movement along and shift in demand curve (4 marks)
3. Micro-economics and Macro-economics (4 marks)
4. Using the following demand and supply function of a commodity Z compute the equilibrium price and quantity

 (6 marks)

1. Outline six (6) assumptions for a perfect competitive market (6 marks)
2. Explain consumer equilibrium under ordinalistic approach (indifference curve analysis approach) (5 marks)
3. State law of supply and explain any three main determinants of supply. (5 marks)

**QUESTION TWO (20 MARKS)**

1. Discuss any five internal economies of scale that accrue to a firms (10 marks)
2. Explain any five factors that contribute to monopoly powers (10 marks)

**QUESTION THREE (20 MARKS)**

1. Explain five main factors that determine the price elasticity of demand. (10 marks)
2. Using an illustration explain how equilibrium is established in the market and explain the concept of excess demand and supply (10 marks)

**QUESTION FOUR (20 MARKS)**

1. Explain the following market structures:
2. Perfectly competitive market (5 marks)
3. Monopoly market (5 marks)
4. In a perfectly competitive market the average revenue and average cost functions are



Respectively, where K1 and K2 are constants.

Q is the output level.

Based on the given functions determine:

1. Fixed and variable cost function (4 marks)
2. Level of output at which the firm breaks even (6 marks)

**QUESTION FIVE (20 MARKS)**

1. Explain the extent for which the four factors of production are mobile (8 marks)
2. Using a graph explain the three stages exhibited in the law of diminishing returns (12 marks)