

**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**SCHOOL OF BUSINESS AND ECONOMICS**

**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT**

**1ST YEAR 1st SEMESTER 2016/2017 ACADEMIC YEAR**

**MAIN CAMPUS (REGULAR)**

**COURSE CODE: BEN 3111**

**COURSE TITLE: INTRODUCTION TO MICROECONOMICS**

**EXAM VENUE: STREAM: (BLSCM)**

**DATE: EXAM SESSION:**

**TIME: 2 HOURS**

**Instructions**

1. Answer Question One (Compulsory) and ANY other 2 questions

2. Candidates are advised note to write on the question paper

3. Candidates must hand in their answer booklets to the invigilator while in the examination room

**QUESTION ONE (COMPULSORY)**

(a) Define the following terms (6mks)

i) Economic man

ii) Free goods

iii) Consumer Sovereignty

iv) Price discrimination

v) Isocost

vi) Perfect market

b) Economics is both an art and a science, Justify (5mks)

c) Discuss ANY FIVE features of a free market system (5mks)

(d) Briefly discuss the concept of least cost input combination (5mks)

(e) Identify the elements of Scarcity, Choice and Opportunity cost in each of the following;

(i) The Environmental Protection agency is considering an order that a 500 - acre area on the outskirt of a large city be preserved in its natural state, because the area is home to a rodent that is considered an endangered species. Developers had planned to build a housing development on the land. (3mks)

(ii) The manager of an automobile assembly plant is considering whether to produce cars or Sports Utility Vehicles (SUVs) next month. Assume that the quantities of labour and other materials would be the same for either types of production. (3mks)

(iii) A young man who went to work as a nurse’ aide after graduating from high school leaves his job to go to college, where he will obtain training as a registered nurse. (3mks)

**QUESTION TWO**

Write short notes on the following fundamental concepts:

1. Scarcity and Choice (5mks)
2. Opportunity cost (5mks)
3. Least cost input combination(5mks)

d) Positive and normative economics (5mks)

**QUESTION THREE**

The total cost equation in the production of bacon at some hypothetical factory isC = 1000 + 100Q – 15Q2 + Q3

Where C = Cost measured in shillings, while Q = quantity measured in kg.

a) Compute the total and average costs at output level of 10 and 11 kg. (6mks)

b) What is the Marginal cost of the 12th Kg? (4mks)

c) Explain the shape and relationship between AC,AVC,MC and AFC curves using relevant

diagrams. (10mks)

**QUESTION FOUR**

(a)Give **ANY THREE** distinction between movement and shift in demand (3mks)

(b) Briefly highlight why the demand curve slopes downward? (7mks)

(c) Briefly discuss **ANY FIVE** exceptions of demand curve (The Law of Demand).(5mks)

(d) a) Given that:





**Required:**

i) Identify which of the two functions is a demand and a supply function and further determine the equilibrium price and quantity (5mks)

**QUESTION FIVE**

(a) State **ANY TEN** differences between Perfect Competition and Monopolistic Competition

(10mks)

(b)Illustrate and explain the three stages associated with the law of variable proportions.(10mks)