



# MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

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## University Examinations 2013/2014

FIRST YEAR, FIRST SEMESTER EXAMINATION FOR CERTIFICATE IN BUSINESS  
ADMINISTRATION

### CBA 0106: INTRODUCTION TO MICROECONOMICS

**DATE: DECEMBER 2013**

**TIME: 1 ½ HOURS**

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

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#### QUESTION ONE (30 MARKS)

- a) Explain mobility of factors of production and state to what extent are the factors of production mobile. (6 Marks)
- b) Outline five causes of abnormal demand curves. (10 Marks)
- c) Highlight five main features of perfect competitive market. (5 Marks)
- d) Outline the five advantages of free market economy. (5 Marks)
- e) Highlight four external economies of scale. (4 Marks)

#### QUESTION TWO (20 MARKS)

- a) Explain any five factors that determine price elasticity of demand. (10 Marks)
- b) Discuss advantages and disadvantages of a monopoly market. (10 Marks)

#### QUESTION THREE (20 MARKS)

- a) Explain any five internal economies of scale experienced by a firm. (10 Marks)
- b) Explain the following using appropriate illustrations (10 Marks)
  - i. Fixed cost
  - ii. Variable cost
  - iii. Total cost
  - iv. Average cost
  - v. Marginal cost

**QUESTION FOUR (20 MARKS)**

- a) Highlight five features of a planned economy. (10 Marks)
- b) Explain five main determinants of supply. (10 Marks)

**QUESTION FIVE (20 MARKS)**

- a) Explain the meaning of law of variable proportion and using appropriate graph explain the three stages of production explained by this law. (10 Marks)
- b) Outline the five main causes of monopoly power. (10 Marks)