

University Examinations 2010/2011

FIRST YEAR, FIRST SEMESTER EXAMINATIONS FOR DIPLOMA/CERTIFICATE BUSINESS ADMINISTRATION

DBA 0106: INTRODUCTION TO MICROECONOMICS

DATE: DECEMBER 2010

TIME: 1½ HOURS

INSTRUCTIONS: Answer Questions One And Any Other Two

QUESTION ONE – (30 MARKS)

- (a) Distinguish between the following terms as used in microeconomics:
 - (i) Short-run and long-run periods (4 Marks)
 - (ii) Price mechanism and price discrimination. (4 Marks)
- (b) Explain main advantages of specialization. (5 Marks)
- (c) When the price of a commodity increases from Kshs.60 to Kshs.80, demand decreases from 40 units to 30 units. Calculate elasticity of demand. (6 Marks)
- (d) Explain the features of monopoly power. (5 Marks)
- (e) Explain any three limitations of cardinal approach of measuring utility. (6 Marks)

QUESTION TWO – (20 MARKS)

- (a) Explain the factors that determine the supply of a commodity. (12 Marks)
- (b) Explain the advantages of free market economy as an economic system. (8 Marks)

QUESTION THREE – (20 MARKS)

- (a) Using diagrams, explain how a perfectly competitive firm attains its equilibrium in the short-run. (12 Marks)
- (b) Explain the factors that determine the price of a factor of production. (8 Marks)

QUESTION FOUR – (20 MARKS)

- (a) With the aid of well illustrated diagrams, distinguish between a “shift” and a “movement” of a demand curve. (5 Marks)
- (b) “Economics is a science” Explain the relevance of the above quotation. (3 Marks)
- (c) Explain clearly the main factors of production. (12 Marks)