

University Examinations 2011/2012

**FIRST YEAR, FIRST SEMESTER EXAMINATION FOR CERTIFICATE/DIPLOMA IN
BUSINESS ADMINISTRATION**

DBA 0106: INTRODUCTION TO MICRO-ECONOMICS

DATE: APRIL 2012

TIME: 1½HOURS

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

QUESTION ONE – (30 MARKS)

- a) Briefly explain the various types of supply. (6 Marks)
- b) Outline factors that lead to increase in demand of a commodity with increase in prices. (6 Marks)
- c) You are given two functions the demand function and supply function as follows
Demand function $Q_d = 3550 - 266p$
Supply function $Q_s = 1526 + 240p$

Required

Determine the equilibrium market price and quantity. (6 Marks)

- d) Explain the following terms as used in economics
 - i. Opportunity cost
 - ii. Scarcity and choice
 - iii. Economies of scale (6 Marks)
- e) Outline the various assumptions for a perfect competitive market (6 Marks)

QUESTION TWO (20 MARKS)

- a) Explain the mobility of various factors of production
- b) With illustrations show the relationship between total cost, total variable cost, total fixed cost, marginal cost and average costs

QUESTION THREE (20 MARKS)

- a) Differentiate between economies of scale and diseconomies of scale. (4 Marks)
- b) Explain the concepts of increasing and decreasing returns to scale. (4 Marks)
- c) Explain the various internal economies of scale (12 Marks)

QUESTION FOUR (20 MARKS)

- a) Explain four types of demand. (8 Marks)
- b) Discuss the various factors that determine the elasticity of demand. (12 Marks)

QUESTION FIVE (20 MARKS)

- a) With illustration explain how equilibrium is restored in a market. (10 Marks)
- b) What are indifference curves? Highlight the properties of indifference curves. (10 Marks)