



**MERU UNIVERSITY COLLEGE
OF SCIENCE & TECHNOLOGY**

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University Examinations 2011/2012

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

DBA 0106: INTRODUCTION TO MICROECONOMICS

DATE: DECEMBER 2011

TIME: 1½ HOURS

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

QUESTION ONE – (30 MARKS)

- (a) (i) What is an indifference curve? (2 Marks)
(ii) Explain the main characteristics of indifference curves. (6 Marks)
- (b) Using the following demand and supply functions of a commodity X compute the equilibrium price and quantity
 $Q_d = 100 - 2P$
 $Q_s = 40 + 4P$ (6 Marks)
- (c) Define elasticity of demand and briefly explain any five factors that influence the elasticity of supply. (10 Marks)
- (d) Define marginal utility and clearly explain the axiom of diminishing marginal utility. (6 Marks)

QUESTION TWO – (20 MARKS)

Write short notes on the following fundamental concepts

- (a) Opportunity cost (5 Marks)
(b) Scarcity and choice (5 Marks)
(c) Positive and normative economic (5 Marks)
(d) Isocosts (5 Marks)

QUESTION THREE – (20 MARKS)

- (a) What is meant by economies and diseconomies of scale? (6 Marks)

- (b) Explain various types of internal and external economies of scale. (14 Marks)

QUESTION FOUR – (20 MARKS)

- (a) What are factors of production? (6 Marks)
(b) Explain the meaning of mobility of factors of production citing the extent to which each factor of production is mobile. (10 Marks)
(c) State and give the key assumptions of the law of variable proportions. (4 Marks)

QUESTION FIVE – (20 MARKS)

- (a) What is monopolist market? (2 Marks)
(b) What is meant by and optimum size of a firm? (4 Marks)
(c) With the help of a well labeled diagram, explain the relationship between the average fixed cost, average variable cost, total cost and marginal cost curves. (14 Marks)