



UNIVERSITY EXAMINATIONS 2014/2015 ACADEMIC YEAR
1ST YEAR EXAMINATION FOR THE DEGREE OF BACHELOR OF
COMMERCE
COURSE CODE/TITLE: AEC 100: ELEMENTS OF MICROECONOMICS
END OF SEMESTER:I DURATION: 3 HOURS
DAY/TIME:MONDAY:8.00 TO 11.00 A.M. DATE:8/12/2014(LTW)

INSTRUCTIONS

Answer question **ONE** and any other **THREE** Questions.

Question One

- a) i) Using specific examples, explain ceteris Paribus' as used in Economics. (2 marks)
- ii) Why is the consumer said to be Sovereign. (2 marks)
- iii) What factors Limit this Sovereignty? (2 marks)
- b) Write short notes on:-
- i) Scarcity and choice (2 marks)
- ii) Opportunity cost (2 marks)
- iii) The production possibility frontier (2 marks)
- iv) Normative and positive Economic Analysis (2 marks)
- c) i) Define elasticity of Supply and briefly explain any five factors that influence the elasticity of Supply (4 marks)
- ii) Explain why elasticity of supply for Agricultural commodities is low. (3 marks)

- iii) The demand for a commodity is twenty units when the prevailing market price equals eight shillings per unit. However when the price per unit rises to one hundred shillings, the quantity demanded rises to thirty units.
- Calculate both arch and point elasticities of this commodity(4 marks)

Question Two

- a) What are factors of production? (2 marks)
- b) Explain the meaning of mobility of Factors of production. To what extent are factors of production mobile. (4 marks)
- c) i) State the aspects of Significance of factor mobility. (3 marks)
- ii) What policy recommendations would you suggest to reduce regional development imbalances if any in developing countries. (6 marks)

Question Three

- a) Explain using diagrams the difference between a change in supply and a change in quantity supplied. (5 marks)
- b) Explain the reasons why the demand curve may shift or move along the curve (5 marks)
- c) Discuss the major determinants of Elasticity of demand. (5 marks)

Question Four

- a) Using the Indifference curve analysis, demonstrate how a household equilibrium point is attained (5 marks)
- b) Define the concept of Isoquants and state their properties. (4 marks)
- c) Distinguish between Perfect competition and monopolistic competition. (3 marks)
- d) Evaluate briefly whether monopolistic competition is wasteful (3marks)

Question Five

- a) The law of Increasing returns, constant returns and diminishing returns are the three phases of the law of variable proportions. Explain these three laws. (6 marks)
- b) Write short-notes on the following concepts:
- i) Income consumption curve. (3 marks)
 - ii) Price consumption curve. (3 marks)
 - iii) Marginal rate of technical (3 marks)
 - iv) substitution

Question Six

- a) Explain the concept of Equilibrium of an Industry. (4 marks)
- b) Explain with an illustration how price is determined under monopoly.(4 marks)
- c) What is Price discrimination? Is it justified? Give the conditions necessary for successful price discrimination. (7 marks)