

W1-2-60-1-6

**JOMO KENYATTA UNIVERSITY**

**OF**

**AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2014/2015**

**YEAR II SEMESTER I EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE**

**HBC 2205: INTERMEDIATE MICRO-ECONIMICS THEORY**

**DATE: AUGUST 2015 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE**

1. Using diagrams differentiate between demand, supply and equilibrium. [6 marks]
2. Given the Qs = -10 + 6p and Qd = 20 – 4p calculate the equilibrium quantity and price. [3 marks]
3. Distinguish between own price elasticity of demand and cross elasticity of demand. [4 marks]
4. Explain why the prices of primary commodities tend to fluctuate more than those of manufactured goods. [6 marks]
5. The demand for a commodity of five units when the price is Ksh.1,000 per unit. When the price per unit falls to Ksh.600, the demand rises to six units. Compute the elasticity of demand and comment on it. [5 marks]
6. Briefly discuss the factors which affect the own price elasticity of demand. [6 marks]

**QUESTION TWO**

1. Outline the cardinalist approach of utility stating its limitations. [8 marks]
2. Using indifference curve analysis demonstrate how a households equilibrium point is attained. [4 marks]
3. Discuss the characteristics of indifference curves using diagrams. [8 marks]

**QUESTION THREE**

1. Outline the different factors of production stating how mobile they are during production. [8 marks]
2. Discuss the difference between an isocost and an isoquant. [4 marks]
3. Explain the FOUR types of costs incurred by a firm in its production process. [8 marks]

**QUESTION FOUR**

1. Explain the FOUR types of market structures that would exist in an economy. [8 marks]
2. Given the TC = Q3 – 39.5Q2 + 120Q + ISO and TR = 45Q – Q2 + 20. Calculate at what level of output will profit be maximized. [6 marks]
3. Discuss the areas and conditions under which game theory is usually applied. [6 marks]