

W1-2-60-1-6

**JOMO KENYATTA UNIVERSITY**

**OF**

**AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2014/2015**

**YEAR 2 SEMESTER I EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE**

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

**DATE: April 2015 TIME: 2 HOURS**

**INSTRUCTIONS: Answer Question One (Compulsory) and any Other Two Questions**

**QUESTION 1 (30 MARKS)**

1. Explain the following terms as used in Economics, Microeconomics in particular;
2. Normal Good (2marks)
3. Gifted Good (2marks)
4. Revealed preference, using a diagram represented by the Budget-line (2marks)
5. Budget constraints (2marks)
6. Cross elasticity of demand (2marks)
7. Perfect substitutes (2marks)
8. Income Effect (2marks)
9. Economies of scale (2marks)
10. Income compensated Demand curve (2marks)
11. Pareto Efficient Allocation (2marks)
12. Explain what is meant by “Measures of Central Tendency”, giving examples of two such measures. (10marks)

**QUESTION TWO (20 MARKS)**

With the help of a relevant diagram please distinguish between a movement along the Demand curve and a shift in the (or of the) Demand curve. (20marks)

**QUESTION THREE (20 MARKS)**

What is Monopolistic competition? Please highlight the advantages and disadvantages of monopolistic competition. (20marks)

**QUESTION FOUR (20 MARKS)**

The following are heights of players in a certain game. The heights are in inches:

82

78

77

84

79

Please calculate the variance and the standard deviation of the data, explaining what the variance and the standard deviation mean. Why is this particular deviation referred to as the “Standard Deviation”? (20marks)

**OR**

The standard deviation as a measure of dispersion, is said to satisfy a critical condition, that of CHEBYSHEV’S THEOREM. Please explain. (20marks)

**QUESTION FIVE (20 MARKS)**

Per Capita Income, PCI, is defined as Gross Domestic Product, GDP, divided by the country’s population and GDP is the value of all goods and services produced in the economy during a given time period, one year in almost all cases.

Thus PCI is a straightforward average, the Arithmetic mean. And so what could be the main weakness of PCI and do you think the Kenyan situation may actually be a clear case of the main weaknesses of the Arithmetic Average, the Mean?

**OR**

What factors determine the shape of the Long-Run supply curve of an industry? (20marks)