

**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/BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT**

**HBC 2205: INTERMEDIATE MICROECONOMICS**

**DATE: August 2015 TIME: 2 HOURS**

**INSTRUCTIONS: Answer Question One and Any Other Two Questions**

**QUESTION ONE (30 marks) – compulsory**

1. Perfect competition leads to optimal allocation of resources. Discuss. (8marks)
2. Define;
3. Edge worth contract curve (4marks)
4. Production function (2marks)
5. Input-output isoquant (4marks)
6. Explain the six advantages of privatization (6marks)
7. Describe output and price determination of bilateral monopolies. (6marks)

**QUESTION TWO (20 marks)**

1. Distinguish between diminishing marginal returns and diminishing marginal rate of technical substitution. (4marks)
2. Consider the following Cobb-Douglas production function; $Y=AL^{α\_{1}}K^{α\_{2}}$

Determine

1. Marginal product of labour and capital (7marks)
2. Elasticity of capital and labour (4marks)
3. Factor intensity (3marks)
4. Returns to scale (2marks)

**QUESTION THREE (20 marks)**

1. Describe the assumptions of the ordinalistic consumer theory. (6marks)
2. Use indifference curve analysis to determine the consumer surplus. (14marks)

**QUESTION FOUR (20 marks)**

1. What is a homogenous production function? (4marks)
2. Use appropriate diagrams to show constant, decreasing and increasing returns to scale of a homogeneous production function (16marks)

**QUESTION FIVE (20 marks)**

1. Explain the purpose of price discrimination (4marks)
2. Describe the necessary conditions for price discrimination (8marks)
3. Distinguish between personal and functional distribution of income. (8marks)