

W1-2-60-1-6

**JOMO KENYATTA UNIVERSITY**

**OF**

**AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2014/2015**

**YEAR I SEMESTER I EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE AND BACHELOR OF BUSINESS INFORMATION TECHNOLOGY AND BACHELOR OF PURCHASING AND SUPPLY CHAIN MANAGEMENT**

**HBC 2104/HBT 2104: INTRODUCTION TO MICROECONOMICS**

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

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

**QUESTION ONE**

1. Discuss the following concepts as used in microeconomics;
2. Consumer sovereignty
3. Scarcity and choice
4. Opportunity cost [6 marks]
5. Examine the economic consequences for a country engaging in was with a neighbouring country. [6 marks]
6. Define the law of demand and state the exceptions to this law of demand. [6 marks]
7. One of the determinants of demand for a commodity is advertising. Explain the extent to which advertising influences demand and state the factors a business firm must bear in mind while developing an advertising policy. [6 marks]
8. Using diagrams, differentiate between the movement and the shift of the supply curve explaining the factors that cause that. [6 marks]
9. More economies are currently opting for free market systems as opposed to controlled systems. Compare the TWO systems describing their respective advantages and disadvantages. [8 marks]
10. Illustrate what equilibrium is as used in economics. [2 marks]

**QUESTION TWO**

1. Differentiate between price elasticity of demand and cross elasticity of demand. [3 marks]
2. Outline using diagrams the characteristics of indifference curves. [6 marks]
3. Using indifference curves demonstrate how a household equilibrium point is attained. [4 marks]
4. Explain the difference between inferior and normal good. [2 marks]

**QUESTION THREE**

1. Discuss the FOUR factors of production giving their examples and application to the economy. [8 marks]
2. Differentiate between the isoquant and the isocost [4 marks]
3. Outline the importance of mobility of factors of production in an economy. [3 marks]

**QUESTION FOUR**

1. Explain the FOUR types of market structures. [8 marks]
2. Explain the FOUR economic costs incurred by a firm in its production activities. [7 marks]