

**W1-2-60-1-6**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2018/2019**

**YEAR I SEMESTER I EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN HUMAN RESOURCE MANAGEMENT**

**HEE 2104: MICRO ECONOMICS**

**DATE: DECEMBER 2018 TIME: 2 HOURS**

**INSTRUCTIONS: Answer question one (compulsory) and any other two questions.**

QUESTION ONE (20 MARKS)

a. Define the following terms as used in micro-economics.

 i. Demand curve. (1 mark)

 ii. Market (1 mark)

 iii. Market equilibrium (2 marks)

b. Discuss the following central economic concepts.

 i. Opportunity cost. (2 marks)

 ii. Scarcity (2 marks)

 iii. Economic problem (2 marks)

 iv. Choice (2 marks)

c. The demand and supply curves are expressed in the following equations:

 Demand curve (Qd)=22-P

 Supply curve (Qs)=10+P

Required

Calculate the equilibrium price and quantity ( 4 marks)

d. Discuss non price determinants of supply that cause the supply curve to shift.

 (4 marks)

e. Explain at least three factors that determine the elasticity of demand of a product.

 (6 marks)

f. With examples differentiate between cardinalist and ordinalist approaches in measurement of utility. (4 marks)

QUESTION TWO (20 MARKS)

a. What is price elasticity of demand? (2 marks)

b. Assuming that the price of a loaf of bread is Ksh60.00 per unit and the demand at this price is 10 units. If the price were to increase from Ksh 60.00 to ksh 70.00 per unit, demand would decrease to 8 units.

 i. Calculate the elasticity coefficient . (6 marks)

 ii. Based on the coefficient obtained in (i) above, indicate whether it is elastic demand, inelastic demand or unit elastic demand. Give reason for your answer.

 (2 marks)

c. List and explain three properties of indifference curves. (6 marks)

d. Differentiate between cross elasticity of demand and income elasticity of demand.

 (2 marks)

QUESTION THREE (20 MARKS)

a. With illustrations differentiate between price ceiling and price floor. (4 marks)

b. Define the law of diminishing marginal utility. (2 marks)

c. i. What is perfect competition type of market structural. (2 marks)

 ii. List four distinctive features of perfect competition. (4 marks)

d. Discuss the major cause of demand curve shifts. (6 marks)

e. Explain two factors that determine the elasticity of demand of a product.

QUESTION FOUR (20 MARKS)

a. What is production theory? (2 marks)

b. Outline the factors of production and also highlight their pricing. (8 marks)

c. What is profit maximization. (2 marks)

d. Define the following terms:

 i. Production function.

 ii. Long run.

f. Explain the law of finishing returns and also highlights its assumptions. (5 marks)