(University of Choice)

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)

MAIN EXAMINATION

UNIVERSITY EXAMINATIONS 2023/2024 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER EXAMINATIONS

FOR
BSC ECONOMICS AND BCS MATHEMATICS AND STATISTICS

COURSE CODE: ECO 112

COURSE TITLE: INTRODUCTION TO MICROECONOMICS

DATE: MONDAY -11-12-2023 **TIME:** 3:00 -5:00

INSTRUCTIONS TO CANDIDATES

ATTEMPT QUESTION **ONE** AND ANY OTHER **TWO**

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over

QUESTION ONE

a) Explain the rationale of microeconomic analysis in economic planning. (5 marks)

b) Mention and illustrate the key properties of indifference curves (5 marks)

c) Describe the following concepts with the use of clear diagrams:

i. Income demand curve
ii. Market equilibrium
iii. Production possibility curve
iv. Consumer surplus (20 marks)

QUESTION TWO

a) With the use of a well-labelled diagram, describe the key factors determining the supply of milk in Kenya. (10 marks)

b. Given a price reduction of milk of 10% leading to a shortage of 20% in Kenya, calculate the price elasticity of supply and suggest ways in which the Government can intervene to stabilize food prices (10 marks)

QUESTION THREE

a. With the use of relevant examples, describe the economic advantages enjoyed by large multinational firms in Kenya. (8 marks)

b. Describe the key properties of isoquants and show, using a clear diagram, how a firm can achieve equilibrium in the long-run. (12 marks)

QUESTION FOUR

a. Describe the key market constraints experienced by command economies. (6 marks)

b. Explain, using practical examples, how firms under monopolistic competition differentiate their products and illustrate the short- run equilibrium of a firm in this industry (14 marks)

QUESTION FIVE

Given the following utility schedule for bottled water

No of units	0	1	2	3	4
Total utility	-	5	7	6	4

a) Calculate Marginal utility for each level of consumption (5 marks)

b) Use the data to illustrate diminishing marginal utility and derive the demand curve for bottled water (10 marks)

c) Highlight the limitations of using marginal utility theory to explain consumer behaviour. (5 marks)