



**MASINDE MULIRO UNIVERSITY OF SCIENCE AND
TECHNOLOGY (MMUST)**

MAIN CAMPUS

**UNIVERSITY EXAMINATIONS
2023/2024 ACADEMIC YEAR**

THIRD YEAR FIRST SEMESTER MAIN EXAMINATION

FOR THE DEGREE OF

**BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT
AND MARKETING**

COURSE CODE: AEC 414/417
COURSE TITLE: ECONOMICS OF INDUSTRY

DATE: 15/12/2023

TIME: 8-10 AM

INSTRUCTION TO CANDIDATES

Answer question one and any other two in section B

Time: 2hrs

MMUST observes ZERO tolerance to examination cheating

This paper consists of 3 printed pages.

Please turn over

SECTION A

Question One (30 marks)

- a. Define the following terms
 - i. Industry (2 marks)
 - ii. Merger (2 marks)
 - iii. Market structure (2 marks)
 - iv. Transaction cost (4 marks)
- b. Highlight any five differences between microeconomics and industrial economics (10 marks)
- c. If you were to introduce a new toothpaste brand in your country, how would you go about entering the market? (10mks)
- d. Differentiate between market conduct and market performance (5 marks)

Question Two (20 marks)

Using appropriate figures explain the behaviour of firms operating under perfect competition that lead to zero profits eventually. (20 marks)

Question Three (20 marks)

- i. Explain the concept of efficiency (2 marks)
- ii. Differentiate between technical, economic and allocative efficiency (12 marks)
- iii. Highlight the main motives for all types of diversification (6 marks)

Question Four

- i. Using clear figures, explain the difference between perfect competition and monopolistic competition (10marks)
- ii. Discuss five reasons why most firms undergo mergers (10 marks)

Question Five

- i. Explain the main features of an oligopolistic market structure (10marks)
- ii. Clearly distinguish the following terms: diversification, vertical integration and merger (10 marks)