



OFFICE OF THE DEPUTY PRINCIPAL  
ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS

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## UNIVERSITY EXAMINATIONS

### 2019 /2020 ACADEMIC YEAR

...1st.... YEAR ...1st..... SEMESTER REGULAR EXAMINATION  
FOR THE DEGREE OF BACHELOR OF SCIENCE

### ECONOMICS

COURSE CODE: EDB 101

COURSE TITLE: INTRODUCTION TO MICROECONOMICS

DATE: 24/02/2021 TIME: 2 pm – 5 pm 3 HOURS

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### INSTRUCTION TO CANDIDATES

- *SEE INSIDE*

THIS PAPER CONSISTS OF 4 PRINTED PAGES

PLEASE TURN OVER

**REGULAR – MAIN EXAM**

**EDB 101: INTRODUCTION TO MICROECONOMICS**

**STREAM: BED (BUS)**

**DURATION: 3 Hours**

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**INSTRUCTIONS TO CANDIDATES**

- i. Answer Question **ONE** and any other **TWO** questions.
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.
- iii. Do not write on the question paper.

**MAIN EXAM**

**Question One (30 marks)**

- a) Clearly distinguish the following pairs of economic concepts
  - i. Microeconomics and Macroeconomics (4 marks)
  - ii. Economic efficiency and technical efficiency (4 marks)
  - iii. Public good and economic good (2mks)
  - iv. Positive and Normative economic analysis (2marks)
- b) You are given the following economic function

$$Q_1 = 36 - \frac{1}{3}p;$$

$$Q_2 = -9 + \frac{1}{2}p;$$

Where, P is the market price for a particular commodity.

- i. Identify with reasons the demand and supply functions (4 marks)
- ii. Explain the negative intercept of the second function (4 marks)
  - c) Explain five sources of monopoly power to a firm (5 marks)
  - d) Highlight four factors of production and indicate their rewards. (5mks)

**Question two (20 marks)**

Use the table to attempt the following questions

Capital (units)	Labour (units)	TPL	APL	MPL
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1	0	0		
1	1	5		
1	2	16		
1	3	36		
1	4	68		
1	5	95		
1	6	114		
1	7	119		
1	8	120		
1	9	117		
1	10	100		

a) Fill average product (AP) and marginal product (MP) columns (10 marks)

b) Demarcate and explain the three stages of production (10 marks)

**Question Three (20 marks)**

a) Draw a graphical presentation of a short run equilibrium under the perfectly competitive market structure, and show how the firm makes supernormal profits (10 marks)

b) Using a well labeled diagram, describe the relationship between average total cost (ATC), average Fixed cost (AFC), average variable cost (AVC) and marginal cost (MC) (10 marks)

**Question Four (20 marks)**

a) Explain the main determinants of price elasticity of demand (8 marks)

b) Given Demand function:  $Q_d = 3550 - 266p$  and Supply function:  $Q_s = 1526 + 240p$

- i. Determine the equilibrium market price and quantity (6 marks)
- ii. With the help of a diagram, illustrate an unstable equilibrium, assuming a giffen good (6mks)

**Question Five (20 marks)**

- i. Clearly distinguish between the change in demand from change in quantity demanded. (5mks)
- ii. Using well labeled diagrams, clearly explain factors that causes shifts in supply curve (15mks)