



# **MACHAKOS UNIVERSITY COLLEGE**

(A Constituent College of Kenyatta University)

University Examinations 2013/2014

## **SCHOOL OF BUSINESS AND ECONOMICS**

### **FIRST YEAR FIRST SEMESTER EXAMINATIONS FOR THE DEGREE OF BACHELOR OF COMMERCE**

#### **EET 100: ELEMENTS OF MICROECONOMICS**

**11<sup>th</sup> AUGUST 2014**

**TIME: 2HRS**

#### **INSTRUCTIONS:**

- **Answer Question ONE and any other Two**
- **This paper has TWO printed pages.**

#### **QUESTION ONE (30 MARKS)**

- a) Distinguish clearly between the following terms as used in economics. (6 marks)
  - i) Macro economics and Micro economics
  - ii) Normative and deductive methods of economics.
  - iii) Demand schedule and demand curve.
  
- b) The price of 13 kgs cooking gas increased from Kshs. 2500 to Kshs. 3000 at the beginning of the year 2014. The quantity demanded for this product decreased from 300 units to 200 units at Kenol Petrol Station. Calculate the price elasticity of demand. (4 marks)
  
- c) Using the stages of production in the short run, illustrate and explain why it does not make any economic sense to produce in stage I or III (6 marks)
  
- d) Name and explain at least four goals that economics would aim to achieve.

- (4 mks)
- e) Highlight four sources of monopoly power. (4 marks)
- f) Explain three characteristics of indifference curves. (3 marks)
- g) Explain the three basic questions that economists would aim to address (3 marks)

### **QUESTION TWO**

- a) Explain **four** areas in which the concept of elasticity can be applied. (8 marks)
- b) Explain **four** ways in which the government can influence demand for a commodity (6 marks)
- c) Give at least Six (6) features of a free enterprise market system. (6 marks)

### **QUESTION THREE**

- a) Explain five factors that may influence the Demand of Maize in Kenya (10 marks)
- b) Using a well labeled diagram show how the short run equilibrium of the firm monopoly would be achieved using marginal cost and marginal revenue approach (10 marks)

### **QUESTION FOUR**

- a) . Name and explain at least six advantages of a command economic system (6 mks).
- b) Name and explain four factors that would help in determining the size of any firm (8 marks)
- c) Explain clearly at least three ways of determining the price of a product (6 marks)

### **QUESTION FIVE**

- a) Perfect competition type of market structure is based on several assumptions. Explain at least five of these assumptions. (5 marks)
- b) Name and explain five advantages of division of labour and specialization (10 marks)
- c) Give five factors that would affect the price elasticity of demand for any product. (5 marks)