THE CATHOLIC UNIVERSITY OF EASTERN AFRICA
A. M. E. C. E. A

GABA CAMPUS – ELDORET

MAIN EXAMINATION

SEPTEMBER – DECEMBER 2021 TRIMESTER

SCHOOL OF BUSINESS

BACHELOR OF COMMERCE

DEPARTMENT OF MARKETING AND MANAGEMENT

CEC111/SDS102: INTRODUCTION TO MICROECONOMICS

Date: December 2021	**Duration:** 2 Hours
Instructions: Answer Question **ONE** and any other **TWO** Questions	

QUESTION ONE

i)   Explain the scope of microeconomics.   **(5 marks)**

ii) Distinguish between positive and normative economics.

                                                             (5 marks)

iii) Use the production possibility curve to illustrate the following;

    a) Under employment of resources   **(2 marks)**

    b) Economics growth   **(3 marks)**

iv) What are the importance of demand elasticity measurements?   **(5 marks)**

v)   What are the sources of oligopoly?   **(5 marks)**

vi) Why are monopoly firms inefficient?   **(5 marks)**

QUESTION TWO

i)   Explain the sources of monopoly firms.   **(10 marks)**

ii) Explain how output and price is determined under oligopoly firm.   **(10 marks)**

QUESTION THREE

i)   What the causes of market failures?   **(10 marks)**

ii) Explain the relationship between the following

    a) Total Cost and Average Cost   **(5 marks)**

b) Total Cost and Marginal Cost **(5 marks)**

QUESTION FOUR

i) Given the following information of quantity demanded and supply determine;

Price	1	2	3	4	5	6	7	8	9	10
Demand	10	9	8	7	6	5	4	3	2	1
Supply	1	2	3	4	5	6	7	8	9	10

   a) The equilibrium price **(5 marks)**

   b) The equilibrium quantity **(5 marks)**

ii) Explain the law of diminishing marginal utility and its assumptions.

(10 marks)

QUESTION FIVE

i) If the price of a pair of shoes increases from ksh.3500 to ksh.5000, while the quantity of socks bought by households reduces from 10 pairs to 6 pairs per year. Calculate the cross elasticity. **(10 marks)**

ii) What are the conditions for profit maximization? **(10 marks)**

END