



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

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JANUARY – APRIL 2022

FACULTY OF ARTS AND SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

REGULAR PROGRAMME

ECN 100/ SDS 102: INTRODUCTION TO MICRO-ECONOMICS

Date: APRIL 2022

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and any TWO Questions

Q1.

- Explain Consequences of maximum (ceiling) price policy by the government **(6marks)**
- With an example distinguish between positive and normative economics **(6marks)**
- Explain briefly Scarcity definition of economics **(3marks)**
- Describe three Factors other than price that influence supply of commodities in a market **(6 marks)**
- Discuss three determinants of price-elasticity of demand **(4 marks)**
- Suppose we have the following supply and demand equations **(5marks)**
 - $Q_s = 128 + 8P$, $Q_d = 478 - 6P$
 - $P_d = 6 - Q$ $P_s = 1 + 0.25Q$

Required: Calculate the equilibrium price for the pork belly market in Karen by using the supply and demand equations above. Show all necessary steps to solve for P

Q2.

- Examine briefly reasons for the downward sloping demand curve. **(5 marks)**
- Define elasticity and distinguish between point elasticity and arc elasticity **(5 marks)**.
- Define a budget constraint. Calculate and graph budget constraints and opportunity cost from the table below, Budget = \$5: **(10marks)**.

Energy Bars	Bottles of Vitamin Water
10	0
8	1
6	2
4	3
2	4
0	5

d)

Q3.

- Explain how price of other commodities which are related to the good in question influence demand of the good . **(5 marks)**
- Given the table below draw a demand and supply curve indicate the equilibrium price and quantity and surplus demand and surplus quantity. **(13marks)**
- What happens if the price of gasoline was above equilibrium price at \$ 1.80 per gallon **(2marks)**

Price (per gallon)	Quantity demanded (millions of gallons)	Quantity supplied (millions of gallons)
\$1.20	700	550
\$1.40	600	600
\$1.60	550	640
\$1.80	500	680
\$2.00	460	700
\$2.20	420	720

Q4.

- a) Evaluate in detail types of equilibrium **(7marks)**
- b) There exists cause where demand may slope upwards instead of downwards from left to right. **(7marks).**
- c) Determine the equilibrium quantities of commodities x and z for a consumer whose total utility (U) and other relevant variables are given below; **(6marks)**

$$2 U = 20x^2 - 4z + 40z - x^2$$

Income level Y = Ksh 48.

Price of x(p_x)= ksh 2.

Price of z(p_z) ksh 4

Be sure to obtain the maximum utility level.

END