



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

**A. M. E. C. E. A**

**MAIN EXAMINATION**

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**JANUARY – APRIL 2014 TRIMESTER**

**FACULTY OF ARTS AND SOCIAL SCIENCES**

**DEPARTMENT OF DEVELOPMENT STUDIES**

**REGULAR PROGRAMME**

**SDS 102: INTRODUCTION TO MICROECONOMICS**

**Date: APRIL 2014**

**Duration: 2 Hours**

**INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions**

- Q1. a) What factors cause a shift in the supply curve of a commodity? **(10 marks)**  
b) What is cross elasticity? **(10 marks)**  
c) What is a monopoly? Using illustrative diagram, show how a monopolist maximizes output and revenue. **(10 marks)**
- Q2. a) What is market equilibrium? **(6 marks)**  
b) Using illustrative diagram, convergent and divergent equilibrium. **(14 marks)**
- Q3. The table below shows changes in price and quantity demanded of commodity x.

Old prices of x	Old quantity demand of x	New price of x	New quantity demand of x
Ksh. 120	12,500 kgs	Ksh. 150	1500 kgs

- a) Calculate elasticity of demand for x. **(8 marks)**  
b) What type of commodity x is it? **(2 marks)**

- c) What factors affect elasticity of demand for x? **(10 marks)**
- Q4. a) Explain the concept of diminishing returns.
- b) Explain the relationship between cost output and revenue curves of a firm. **(20 marks)**
- Q5. Explain how a firm in a competitive industry can maximize profits. **(20 marks)**

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