



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

MAY – JULY 2015 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

SCHOOL FOCUSED PROGRAMME

CEC 111: INTRODUCTION TO MICROECONOMICS

P.O. Box 62157
00200 Nairobi - KENYA
Telephone: 891601-6
Fax: 254-20-891084
E-mail: academics@cuea.edu

Date: JULY 2015

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) Explain the following economic terms
- i Microeconomics. **(2 marks)**
 - ii Market disequilibrium. **(2 marks)**
 - iii Utility preference. **(2 marks)**
 - iv Marginal cost. **(2 marks)**
 - v General equilibrium. **(2 marks)**
 - vi Imperfect market. **(2 marks)**
- b) Explain FOUR factors that determine elasticity of demand of a product in the economy. **(8 marks)**
- c) What is the relationship between marginal cost and average costs of production. **(3 marks)**
- d) Explain how we can judge the performance of an economic system. **(7 marks)**

- Q2. a) Distinguish between the long run and short run production periods. **(10 marks)**
- b) Explain THREE basic decisions that firms make. **(6 marks)**
- c) How do they sort out these decisions? **(4 marks)**
- Q3. a) Input markets are important components of the economy. Explain what they are and how they affect the economy. **(10 marks)**
- b) How do we maximize utility from a given good or service? **(10 marks)**
- Q4. a) Explain FIVE factors that determine the supply of educational service in a country. **(10 marks)**
- b) Distinguish between a change in supply and a change in quantity supplied. **(5 marks)**
- c) Identify FIVE determinants of the demand for tourism in the economy. **(5 marks)**

END