



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

MAY – JULY 2015 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

REGULAR PROGRAMME

CEC111- INTRODUCTION TO MICROECONOMICS

Date: JULY 2015

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) Explain the characteristics of the oligopoly market structure **(8 marks)**
- b) Explain the relationship between the average total cost, average variable cost and the marginal cost with the aid of a diagram. **(10 marks)**
- c) Depict the total product, average product and marginal product curves in one graph and indicate the stages of production **(6 marks)**
- d) Write short note on
- i) Positive (deductive) analysis of economics **(3 marks)**
- ii) Normative (inductive analysis of economics **(3 marks)**
- Q2 i) Draw a demand schedule and plot a demand curve using the schedule. Explain the relationship. **(10 marks)**
- ii) State the Law of demand **(3 marks)**
- iii) What are the reasons for a downward sloping demand curve. Explain **(7 marks)**
- Q3. Explain the determinants of:

- i) Elasticity of demand **(7 marks)**
 - ii) Elasticity of supply **(7 marks)**
 - iii) Using a well labeled diagram explain the difference between price floor and price ceiling **(6 marks)**
- Q4. a) Derive the demand curve using the marginal utility approach and with the aid of diagram **(12 marks)**
- b) State and explain the assumptions of the indifference curve theory. **(8 marks)**

END