



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

JANUARY – APRIL 2017 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

EVENING PROGRAMME

CED 092: MANAGERIAL ECONOMICS

Date: APRIL 2017

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and any other TWO Questions

- Q1. a) Define Managerial economics and state to areas of the theory of the firm to which it is related **[5marks]**
- b) Briefly explain the concept of marginal thinking by Economists **[3marks]**
- c) Given the revenue and cost functions for a product explain how to obtain the profit maximizing level of production **[3marks]**
- d) The demand – price function for a product is $P = 100 - 3Q$, where P is the unit price and Q the quantity demanded at that price. Calculate the price elasticity of demand when the price is Ksh 5 **[5marks]**
- e) Define and discuss the assumptions, limitations and usefulness of the basic profit maximizing model of the firm **[11marks]**
- f) Discuss the agency problem of the firm **[3marks]**
- Q2. a) Define demand and explain any four controllable and four uncontrollable factors that affect the demand for a product **[8marks]**
- b) The price (x) and Quantity (y) schedule for a product is shown below

X (sh)	2	5	6	24	30	40
Y (units)	50	40	34	24	25	10

Required

- i) Estimate the demand equation for the product **[9marks]**
- ii) Forecast the demand when the price is Ksh 10 **[3marks]**
- Q3. Explain the following terms as used in production theory
- a) Factors of production **[4marks]**
 - b) Production functions **[4marks]**
 - c) Fixed factors **[4marks]**
 - d) The short run **[4marks]**
 - e) Efficiency **[4marks]**
- Q4. Discuss the process of demand estimation **[20marks]**

END