THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

SEPTEMBER –DECEMBER 2021

FACULTY OF ARTS AND SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

REGULAR PROGRAMME

ECN 100/ SDS 102: INTRODUCTION TO MICRO-ECONOMICS

Date: DECEMBER 2021	**Duration: 2 Hours**
INSTRUCTIONS: Answer Question ONE and any TWO Questions	

Q1.

a) Describe Factors that influence supply of commodities in a market **(12 marks)**
b) Critique of the cardinal approach **(8marks)**
c) 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

Q2.

a) Discuss the main assumptions (axiom) made under cardinal approach **(10marks).**

b) Differentiate between the following terms **(10marks)**

(i) Income Elasticity of Demand **and** Marginal utility
(ii) Veblen good and Giffen goods
(iii) substitutes and complements.

Q3.

a) Explain Consequences of maximum (ceiling) price policy by the Government **(9marks)**
b) Distinguish between positive and normative economics **(6marks)**
c) Determine the equilibrium quantities of commodities x and z for a consumer whose total utility (U) and other relevant variables are given below; **(5marks)**

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

Q4.

a) Examine three properties of the indifference curve theory **(5marks)**

b) Given the table below draw a demand and supply curve indicate the equilibrium price and quantity and surplus demand and surplus quantity. **(13marks)**

c) 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)**
$1.00	800	500
$1.20	700	550
$1.40	**600**	**600**
$1.60	550	640

b) Given the table below draw a demand and supply curve indicate the equilibrium price and quantity and surplus demand and surplus quantity. **(13marks)**

c) 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)**
$1.80	500	680
$2.00	460	700
$2.20	420	720

END