PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELORS OF COMMERCE

BACHELORS OF BUSINESS LEADERSHIP

BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

JANUARY – APRIL 2018 SEMESTER

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: BCM101|BUS1313|BIT108

COURSE TITLE: PRINCIPLES OF MICROECONOMICS

EXAM DATE: FRIDAY 13TH APRIL 2018

TIME: 5:30PM-8:00PM

INSTRUCTIONS

- This examination script consists of S**ix (6)** questions.
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.
- Question **ONE** is compulsory , answer any **FOUR** other questions

QUESTION ONE: COMPULSORY

a. Explain the following economic terms giving examples.
   i. Scarcity and choice **(5 Marks)**
   ii. Diminishing marginal utility **(5 Marks)**
   iii. Price elasticity of demand **(5 Marks)**
   iv. Substitution and income effects of price change **(5 marks)**

b. Discuss five features of a monopolist competition **(10 Marks)**

c. Illustrate and explain the three stages associated with the law of variable proportions. **(10 Marks)**

QUESTION TWO

a. Outline five forms of oligopoly **(5 Marks)**

b. Discuss five characteristics of perfect Markets. **(10 Marks)**

QUESTION THREE

A firm produces candles. The market for candles is highly competitive, with candles currently selling for \$10. The firm's short-run total cost function is C = 200 + 0.2q2, so its marginal cost is MC = 0.4q.

i. Determine the firm's profit-maximizing quantity**.** **(7Marks)**

ii. Determine whether the firm is earning a profit. **(8 Marks)**

QUESTION FOUR

a. Define the term marginal cost. **(1 Mark)**

b. Illustrate using diagrams the indifference curves of :
   i. Perfect substitutes **(4 Marks)**
   ii. Perfect Complements **(4 Marks)**

c. Discuss three properties of indifference curves **(6 Marks)**

QUESTION FIVE

a. Explain two types of equilibrium. **(5 Marks)**

b. Using diagrams explain five types of elasticity of demand. **(10 Marks)**

QUESTION SIX

a. Define the term inferior good. **(2 Marks)**

b. Distinguish between joint demand and derived demand. **(3 Marks)**

c. Discuss five factors that affect supply. **(10 Marks)**