



PAN AFRICA CHRISTIAN UNIVERSITY
SCHOOL OF LEADERSHIP, BUSINESS AND TECHNOLOGY
END OF SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF COMMERCE

MAY-AUGUST 2018

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: BCM206

COURSE TITLE: INTERMEDIATE MICRO ECONOMICS

EXAM DATE: MONDAY 13TH AUGUST 2018

TIME: 2:00PM-5:00PM

INSTRUCTIONS

- Read the instructions and questions carefully before you write the answers.
- Write your **STUDENT NUMBER** in the Answer Booklet given
- This exam script has **SIX** questions
- Question **ONE** is compulsory , answer any **FOUR** other questions
- *Write clearly and legibly.*
- *ALL PAC University's examination rules and regulations apply*

QUESTION ONE: COMPULSORY

- a. Explain the following economic terms:
 - i. Marginal product (2 Marks)
 - ii. Technical rate of substitution (2 Marks)
 - iii. Monopolistic competitive market (2 Marks)
 - iv. Budget constraint (2 Marks)
 - v. Externality (2 Marks)
- b. Explain **four** factors of production (8marks)
- c. 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 $C = 200 + 0.2Q^2$, so its marginal cost is $MC = 0.4Q$.
Required:
 - i. Calculate the firm's profit-maximizing quantity. (6 Marks)
 - ii. Determine whether the firm is earning a profit. (6 Marks)
- d. Discuss **five** factors that cause the demand curve to shift (10 marks)

QUESTION TWO

- a. Explain **two** assumptions of the Cournot model (4 Marks)
- b. Describe **two** conditions that can lead a cartel to be successful in raising price and not falling apart. (5 Marks)
- c. Differentiate between normal and abnormal profits (6Marks)

QUESTION THREE

- a. Differentiate between bad goods and neutral goods in economics (5Marks)
- b. Using a diagram describe the short run equilibrium of the firm (10 Marks)

QUESTION FOUR

- a. Discuss **two** remedies to negative externalities (5Marks)
- b. Explain **five** characteristics of perfect competition in any market (10 Marks)

QUESTION FIVE

- a. Differentiate between a monopoly and a monopolistic competition. (3 marks)
- b. Discuss **four** types of Monopoly markets (12marks)

QUESTION SIX

- a. Using examples distinguish between complementary goods and substitutes goods. (3 Marks)
- b. Explain **three** uses of indifference curve analysis (6 marks)
- c. Discuss **three** major characteristics that define a monopoly. (6 Marks)