PAN AFRICAN CHRISTIAN UNIVERSITY (PAC)

EXAMINATION 2020/2021

DEGREE IN BACHELOR OF COMMERCE

BCM101: PRINCIPLES OF MICROECONOMICS - ONLINE

DATE: APRIL 2021 **TIME: 3 HOURS**

SECTION A: COMPULSORY

QUESTION ONE (10mks)

a) Define the term economics (1 Mark)

b) Calculate elasticity of demand in the following scenario: (3 Marks)

i. Q = 100 - 2P at the point where P=10 and Q = 80

c) Discuss the following terms

i. normal (1 Mark)
ii. inferior (1 Mark)
iii. giffen good. (1 Mark)

d) Suppose that a firm's demand curve is as follows Q = 200 – 2P and firms TC = $0.05Q^2 + 1000$. Calculate firm's

i. total revenue (1 Mark)
ii. marginal revenue (1 Mark)
iii. marginal cost. (1 Mark)

SECTION B: ANSWER ANY THREE QUESTIONS

QUESTION TWO (10mks)

a) Explain FIVE different types of economies of scale (5 Marks)

b) The total cost function of a firm producing clothes is given by TC = $1/5Q^2 + 6Q + 100$. Where Q represents 100 bales.

i. Calculate Average cost (2 Marks)

ii. Calculate Marginal cost (3 Marks)

QUESTION THREE (10mks)

a) Discuss FIVE types of markets in economics (5 Marks)

b) Explain FIVE assumptions of a perfectly competitive market (5 Marks)

QUESTION FOUR (10mks)

a) Discuss substitution and income effect (4 Marks)

b) Explain THREE attributes of an indifference curve (6 Marks)

QUESTION FIVE (10mks)

a) Define the term theory (1 Mark)

b) Describe any THREE microeconomic theories (9 Marks)

QUESTION SIX (10mks)

a) Explain TWO types of costs in economics (4 Marks)

b) You are given the following demand and supply functions for a commodity $Qd = 20 - 1/3P$ and $Qs = -36 + 2/3P$. Find the equilibrium quantity demanded and supplied and price (6 Marks).