PAN AFRICA CHRISTIAN UNIVERSITY

BACHELOR OF COMMERCE / BACHELOR OF BUSINESS LEADERSHIP

END TERM EXAMINATION – ONLINE

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: BCM101 / BUS1313

COURSE TITLE: PRINCIPLES OF MICROECONOMICS

Time: 3 HOURS

Instructions

•***Read all questions carefully before attempting.***

•***Question ONE is COMPULSORY.***

•***Answer ANY THREE questions out of the remaining FIVE***

QUESTION ONE (Compulsory)

a) Outline any TWO reasons why it is important to study economics **(2 marks)**

b) Distinguish between movement along and a shift in the demand curve **(2 marks)**

c) Highlight the reason why supply differs from existing stock **(2 marks)**

d) Explain how the Production Possibility Frontier can be applied in the country of your choice **(4 marks)**

QUESTION TWO

a) Giving examples, explain any two situations in which the demand curve is regressive **(4 marks)**

b) Using the concept of elasticity of demand, explain why the war on drugs is hard to win **(6 marks)**

QUESTION THREE

a) With examples, explain the purpose of the theory of demand and supply **(4 marks)**

b) Describe any THREE form of specialization in reference to production theory. **(6 marks)**

QUESTION FOUR

a) Using the example of an existing country, describe any THREE characteristics of a free market economy. **(4 marks)**

b) Discuss the law of diminishing marginal utility **(6 marks)**

QUESTION FIVE

a) Describe knife edge equilibrium, giving an example. **(4 marks)**

b) Explain the Theory of Cost **(6 marks)**

QUESTION SIX

a) Russia and China operate under a similar Economic System

i. State which system they use **(1 mark)**

ii. Give any THREE reasons for your answer in (i) above **(3 marks)**

b) You are given two functions; the demand function and the supply function as follows:

Demand function $Q_d = 3550 - 266p$

Supply function $Q_s = 1526 + 240p$

Required:

Determine the equilibrium:

i. market price **(3 marks)**

ii. market quantity **(3 marks)**