PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF BUSINESS LEADERSHIP

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS
COURSE CODE; BUS1313

VR CAMPUS

COURSE TITLE: INTRODUCTION TO MICROECONOMICS

EXAM DATE: Wednesday, 29th July 2015

TIME: 1730HRS-2030HRS

INSTRUCTIONS

- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.
- Answer any five questions

QUESTION ONE

(a) Describe the following terms as used in economics

i. Scarcity (2marks)

ii. Opportunity cost (3marks)

iii. Micro economics differs significantly from macro economics. Briefly explain this statement. (5marks)

b) Explain any five factors that determine the quantity demanded by a consumer (10marks)

QUESTION TWO

a) State the law of supply (4mark)

b) Identify and explain any four factors that influence supply (8marks)

c) Given the following economic function, determine the equilibrium market **price** and **quantity**

Demand function: Qd =20 – 4p

Supply function: Qs = -10 + 6p **(8marks)**

QUESTION THREE

Explain the effects of the following changes on the demand for ice cream

i. A fall in prices of ice cream 4marks

ii. A health campaign that claims that ice cream makes you fat 4marks

iii. A rise in the price of substitute of ice cream 4marks

iv. A fall in the income of consumers 4marks

v. A rise in the wages of ice cream workers 4marks

QUESTION FOUR

(a) Discuss any five consequences of maximum price policy by government (10marks)

(b) Explain the major determinants of price elasticity of demand (10marks)

QUESTION FIVE

a) State the law of diminishing marginal utility (2marks)

b) Discuss any five properties of indifference curve (10marks)

c) Explain the concept of diminishing rate of substitution (4marks)

d) Differentiate between inferior good and giffen goods (4marks)

QUESTION SIX

(a) Given the following hypothetical production schedule, calculate Average product of labour(AP) and Marginal Product of Labour (MP) (14marks)

Land	Labour	Total Product of Labor (TP)	Average Product of Labour(AP)	Marginal Product of Labor (MP)
1	0	0		
1	1	3		
1	2	8		
1	3	12		
1	4	15		
1	5	17		
1	6	17		
1	7	16		
1	8	13		

(b)Describe any three factors of production (6marks)