PAN AFRICA CHRISTIAN UNIVERSITY

BACHELOR OF COMMERCE

BACHELOR OF BUSINESS LEADERSHIP

BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

DIPLOMA IN PURCHASING AND SUPPLIES MANAGEMENT

END OF TERM EXAMINATION (SEPTEMBER-DECEMBER 2016)

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: BIT108|BCM101|BUS1313|DSM101

COURSE TITLE: Principles of Micro-Economics

EXAM DATE: WEDNESDAY 5th, DECEMBER 2016

TIME: 9.00AM-12.00PM

INSTRUCTIONS

- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.
- **Answers question ONE and ANY other four Questions.**

QUESTION ONE: ***compulsory***

a) Describe the following terms as used in economics

- **i.** Scarcity **(1marks)**
- ii. Opportunity cost **(2marks)**
- **iii.** Free Enterprise or free price system **(3marks)**
- **iv.** Planned Economic Systems **(3marks)**
- **v.** Centrally Planned Economic Systems **(3marks)**
- **vi.** Utility **(2marks)**
- **vii.** Marginal Rate of Substitution (MRS) **(3marks)**
- **viii.** Diminishing marginal of utility **(3marks)**

b) The law of demand doesn't apply to all goods. Explain **(5marks)**

c) Micro economics differs significantly from macro economics. Explain this statement.

(5marks)

c) Discuss the properties of indifference curves **(10marks)**

QUESTION TWO

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

b) Discuss the factors that determine the elasticity of demand **(5marks)**

QUESTION THREE

a) State the law of supply **(2mark)**

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

c) Discuss the assumptions of the study of utility under cardinal approach **(5marks)**

QUESTION FOUR

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

Demand function: Qd = 3550- 266p

Supply function: Qs = 1526+240p **(4marks)**

b) Explain the following terms as used in economics

- i. Price Floor **(3marks)**
- **ii.** Price Ceiling **(3marks)**

c) Discuss the concept of Breakeven point in economics **(5marks)**

QUESTION FIVE

a) State the Law of Diminishing Return **(2marks)**

b) Explain the following terms as used in production economics

- **i.** Total physical product (TPP) **(2marks)**
- ii. Marginal physical product (MPP) **(3marks)**
- **iii.** Average physical product (APP) **(2marks)**

c) Explain the three levels of return to scale in a firm in production **(6marks)**

QUESTION SIX

a) With relevant examples, explain the following market structures;

- **i.** Perfect competition **(3marks)**
- **ii.** Monopolistic competition **(3marks)**
- **iii.** Monopoly **(3marks)**
- **iv.** Oligopoly **(3marks)**

b) Given the following demand function ;

Q=100-2P

And the cost function as;

50 +40Q

i) Determine the profit maximizing levels of price**(P)** and output**(Q)** **(3Marks)**