



PAN AFRICA CHRISTIAN UNIVERSITY
BACHELORS OF BUSINESS LEADERSHIP
END OF SEMESTER EXAMINATION
DEPARTMENT: BUSINESS
COURSE CODE: BCM 206
Intermediate Microeconomics Theory
Online Exams

EXAM DATE:

TIME:

INSTRUCTIONS

- Read all questions carefully before attempting.
- Answer **any four questions only**

QUESTION ONE

- a) Differentiate economics from economic theory (2marks)
- b) Explain three remedies to negative Economic externalities (4marks)
- c) Define monopoly and highlight any three sources of monopoly power

(4 marks)

QUESTION TWO

Citing relevant examples, explain the following terms as used in economics

- i. Veblen good (2mark)
- ii. Diminishing marginal rate of substitution (2marks)
- iii. Inferior goods (2mark)
- iv. Perfect substitutes (2mark)

v. Perfect Compliments

(2mark)

QUESTION THREE

a) A firm produces Bread. The market for bread is highly competitive, with bread currently selling for Ksh10. The firm's short-run total cost function is,

$$TC = 200 + 0.2q^2.$$

- i. What is its marginal cost (MC)? (3 marks)
- ii. What is the firm's profit-maximizing quantity? (2mark)

b) Suppose a monopolist demand function is given by

$$Q=100-2P$$

The cost function is

$$50 +40Q$$

Required: Determine the profit maximizing levels of **price and output** for the monopolist (5marks)

QUESTION FOUR

Explain the following terms as used in economics

- i. Technical rate of substitution (2marks)
- ii. Ordinary goods (2marks)
- iii. Informal collusive oligopoly (2marks)
- iv. Break-even point (BEP) (2marks)
- v. Diseconomies of scale (2marks)

QUESTION FIVE

With relevant examples as appropriate, explain the following concepts as used in economics

- a) Oligopoly (2mrks)
- b) Game theory (4marks)
- c) Collusion (4marks)

QUESTION SIX

- a) Explain the concept of general market equilibrium (2marks)
- b) Describe the principle of Pareto efficiency (2marks)
- c) Illustrate with a diagram the Edgeworth Box and its application (6marks)