PAN AFRICA CHRISTIAN UNIVERSITY

BACHELOR OF COMMERCE / BACHELOR OF BUSINESS LEADERSHIP/ BACHELOR OF BUSINESS AND INFORMATION TECHNOLOGY

END TERM EXAMINATION – ONLINE

DEPARTMENT: BUSINESS AND LEADERSHIP STUDIES

COURSE CODE: BUS 1313/BCM 101/BIT 108

COURSE TITLE: PRINCIPLES OF MICROECONOMICS

Time: 3 HOURS

Instructions

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

•***Answer FOUR questions out of the SIX Provided***

•***Question ONE is Compulsory***

QUESTION ONE (Compulsory)

The satisfaction the consumers derives from consumption of commodity is called utility. Utility is assessed by two main schools of thought. According to the Ordinals Approach of Indifference;

a) Using an example, define Indifference curve **(2 marks)**

b) State any four (4) assumptions of indifference curves **(2 marks)**

c) Highlight the three (3) main properties of indifference curves **(3 marks)**

d) Outline any three (3) areas of application of indifference curves **(3 marks)**

QUESTION TWO

Production comprises all activities that provide goods and services which people want and for which they are prepared to pay a price.

a) Using examples, distinguish between consumer goods and producer goods **(4 marks)**

b) Discuss any three (3) factors of production **(6 marks)**

QUESTION THREE

a) State the law of diminishing marginal returns **(2 marks)**

b) Write short notes on

   i. Isoquants **(4 marks)**

   ii. Isocost **(3 marks)**

c) Highlight the relationship between isoquants and isocost **(1 mark)**

QUESTION FOUR

a) Using suitable examples, define specialization **(2 marks)**

b) Explain any two (2) forms of specialization **(4 marks)**

c) "Specialization is a waste of organization time" Discuss this statement, arguing for or against it. **(4 marks)**

QUESTION FIVE

a) Define economies of scale giving suitable examples **(2 marks)**

b) With examples, distinguish between:

i. Internal and external economies of scale **(4 marks)**

ii. Internal and external diseconomies of scale **(4 marks)**

QUESTION SIX

a) Explain any two (2) characteristics of a perfect market **(4 marks)**

b) Discuss the two conditions necessary for price discrimination to take place **(4 marks)**

c) With examples, distinguish between a monopoly and an oligopoly firm **(2 marks)**