PANAFRICACHRISTIAN UNIVERSITY

BACHELORS OF COMMERCE|BBL|BBIT

END OF TERM EXAMINATION

CAMPUS: VALLEY ROAD

DEPARTMENT: BUSINESS

COURSE CODE: BUS1313|BCM101|BIT 108

COURSE TITLE: MICROECONOMICS

EXAM DATE: WEDNESDAY 3rd AUGUST 2016

TIME: 5.30PM-8.30PM

INSTRUCTIONS

- This exam script has **TWO (2)** sections.
- Read all questions carefully before attempting.
- Answer all questions in Section **A** and any other four questions in Section **B.**
- Write your **student number** on the answer booklet provided.

SECTION ONE ANSWER ALL QUESTIONS {40 Marks}

QUESTION 1

a) Outline any **FIVE** principles of economics **(10 Marks)**

b) Describe **FOUR** characteristics of an indifference curve. **(8 Marks)**

c) Most firms have the goal of growing big; discuss **THREE** benefits of a firm expanding its market share. **(9 Marks)**

d) With the aid of a well labeled diagram, contrast between price ceilings and price floors as used in price control. **(8 Marks)**

e) State the effect of the following changes on the demand of ice-cream

i) A fall in the price of ice-cream **(1 Marks)**

ii) A health campaign which claims that ice-cream makes you fat **(1 Marks)**

iii) A fall in the incomes of consumers **(1 Marks)**

iv) A rise in the wages of ice-cream workers **(1 Marks)**

v) A rise in the price of substitutes of ice-cream **(1 Marks)**

SECTION TWO ANSWER ANY FOUR QUESTIONS {15 Marks Each}

QUESTION 2

f) $Q_d = 21 - P$ and $Q_s = 1+4P$ represents the demand and the supply function for product X respectively. Calculate

i) The equilibrium price and quantity **(4 Marks)**

ii) The excess demand when price is 2 **(3 Marks)**

iii) Excess supply when price is 7 **(3 Marks)**

g) Explain the term of mobility of factors of production. Give the **TWO** forms of factor mobility **(5 Marks)**

QUESTION 3

h) Explain, by use of suitable diagrams, the difference between change of the quantity supplied and shift in supply. **(10 Marks)**

i) List any **FIVE** factors that would cause a fall in the supply of goods and services **(5Marks)**

QUESTION 4

Describe **THREE** market structures giving **TWO** advantages and **TWO** disadvantages of each. **(15 Marks)**

QUESTION 5

j) Explain any **THREE** assumptions (axioms) of consumer behaviour as depicted in cardinalist approach. **(6 Marks)**

k) Discuss any **THREE** factors that influence the choice of a production technique. **(9 Marks)**

QUESTION 6

l) "The demand curve is downward sloping". Briefly explain any **FIVE** circumstances when this statement might not hold **(10 Marks)**

m) Explain the following economics terms: -

i) Utility **(2 Marks)**

ii) Diminishing returns **(3 Marks)**