PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF BUSINESS LEADERSHIP

END OF SEMESTER EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: BCM 206

Intermediate Microeconomics

Online Exams

EXAM DATE:

TIME:

INSTRUCTIONS

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

QUESTION ONE

a) Identify four key assumptions applicable in economics (2marks)
b) Define the concept of externalities and explain three remedies to negative externalities in economics (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. Technical rate of substitution (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 types of good

i. Inferior good (2marks)
ii. Ordinary goods (2marks)
iii. Perfect complement (2marks)
iv. Perfect substitute (2marks)
v. Goods of ostentation (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 economics (2marks)
b) Illustrate the concept of Edgeworth Box Diagram and its application (6marks)
c) Describe the concept of Pareto efficiency (2marks)