PAN AFRICA CHRISTIAN UNIVERSITY

SCHOOL OF LEADERSHIP, BUSINESS & TECHNOLOGY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF COMMERCE

BACHELOR OF BUSINESS LEADERSHIP

BACHELOR OF BUSINESS AND INFORMATION TECHNOLOGY

SEPTEMBER-DECEMBER 2019

CAMPUS: ROYSAMBU
DEPARTMENT: BUSINESS STUDIES
COURSE CODE: BUS1313|BIT108|BCM101|DSM101
COURSE TITLE: PRINCIPLES OF MICRO ECONOMICS
EXAM DATE: THURSDAY 5TH DECEMBER 2019
DURATION: 2 HOURS
TIME: 9:00AM-11:00AM
INSTRUCTIONS

- Read the instructions and questions carefully before you write the answers.
- Write your **STUDENT NUMBER** in the Answer Booklet given
- *Write clearly and legibly.*
- This exam script consists of **Six (6)** questions.
- Answer **questions ONE (compulsory)** and A**ny other three (3)** questions
- *ALL PAC University's examination rules and regulations apply*

QUESTION ONE: (COMPULSORY)

a) Define the following terms as used in micro-economics

i. Utility (2marks)
ii. Diminishing marginal utility (2marks)
iii. Marginal Rate of Substitution (MRS) (2marks)
iv. Price elasticity of demand (2marks)
v. Increasing return to scale (2marks)
vi. Free Enterprise economic system (2marks)
vii. Perfect competition (2marks)
viii. Monopolistic competition (2marks)
ix. Monopoly (2marks)
x. Collusive oligopoly (2marks)

b) Describe the law of diminishing returns as used in production theory(4mks)

c) The law of demand doesn't apply to all goods. Explain (6 marks)

QUESTION TWO

a) Outline any four properties of indifference curves (4 marks)
b) Explain any three factors that determine the quantity demanded of a commodity. (6marks)

QUESTION THREE

a) Highlight any two factors that determine the elasticity of supply (2 marks)

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

QUESTION FOUR

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

Demand function: Qd = 100- 2p

Supply function: Qs = 40+4p (2marks)

b) Explain the following terms as used in economics

i. Price Floor (2marks)
ii. Price Ceiling (2marks)

c) Discuss the concept of Breakeven point in economics (4marks)

QUESTION FIVE

a) Explain the following term as used in production economics

i. Marginal physical product (MPP) (2marks)
ii. Average physical product(APP) (2marks)
iii. Constant return to scale (2marks)

b) Outline any four characteristics of a perfect competition form of a market structure (4marks)

QUESTION SIX

a) Outline any four weaknesses of a monopoly (4marks)
b) Given a monopolist demand function in the form;

Q=100-2P

The cost function given as;

50 +40Q

Required:

Determine the profit maximizing levels of price and output for the monopolist if price is given as; **$P=50-0.5Q$** (6marks)