GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS
SEPTEMBER - DECEMBER 2021 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: ECON100

COURSE TITLE: PRINCIPLES OF MICROECONOMICS

DATE: TIME:

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY.**
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: *All exam rooms are under CCTV surveillance during the examination period.*

SECTION A: COMPULSORY

Question One

a) Explain five applicability of Price elasticity of demand   **[10 marks]**

b) Discuss the economies of scale in economics   **[10 marks]**

c) The demand and supply functions are as follows

      $Qa = 480-15P$
      $Qb = 50P-40$

Required:

   a) Determine which is the supply function with reason   **[2 marks]**
   b) Determine the demand function with reason   **[2 marks]**
   c) Determine the equilibrium values of P and Q and also find the producer's revenue that these equilibrium values imply   **[6 marks]**
   d) A flat rate tax of 20% is imposed on each unit sold, Determine the new equilibrium values   **[4 marks]**
   e) Explain the three effects of flat tax rate on the tax revenue and the producer revenue

[6 marks]

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

   (a) Explain the exemptions of the cardinal approach in the theory of consumer

      behaviour   **[12 marks]**

   (b) Discuss the effect of price floors   **[8 marks]**

 a)

Question three

  b) Discuss the assumptions of the law variable proportions in economics

      [10 marks]

  c) The following table shows the schedule of labor and total product.

Quantity	Total Utility
0	0
5	150

10	224
15	375
20	450
25	500
30	500
35	450
40	375

Required:

i)   Calculate the Average Product   **[3 marks]**

ii)   Calculate the marginal product   **[3 marks]**

iii) Illustrate through a graph the three stages of diminishing marginal product in a production process   **[4 marks]**

Question Four

a) Explain the four disadvantages of free style economy   **[8 marks]**

b) Discuss the axioms that preference must satisfy   **[12 marks]**

Question Five

Make short notes of the following terms using examples:

a) Engel Curve   **[4 marks]**

b) Cobb – Douglas function   **[4 marks]**

c) Unitary elastic demand   **[4 marks]**

d) Iso-Profit lines   **[4 marks]**

e) Inferior goods   **[4 marks]**