



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS MAY – AUGUST 2023 SEMESTER**

### **BACHELOR OF COMMERCE**

**COURSE CODE: ECON 200**

**COURSE TITLE: INTERMEDIATE MICROECONOMICS**

**DATE: 31 JULY 2023**

**TIME: 3:00 PM – 6:00 PM**

#### **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 the law of diminishing marginal utility and its implications for consumer behavior. **[10 Marks]**
- b) Discuss the income and substitution effects of a price change on a normal and an inferior good. **[15 Marks]**
- c) Explain the concepts of Market equilibrium. **[5 Marks]**
- d) Production technology is transformation of inputs to outputs incorporating technology. Discuss three properties of technology **[10 Marks]**

## **SECTION B: ANSWER ANY THREE QUESTIONS**

### **QUESTION TWO**

- a) Compare and contrast the characteristics of perfect competition and monopolistic Market structures **[12 Marks]**
- b) Price discrimination is a selling strategy that charges customers different prices for the same product or service based on what the seller thinks they can get the customer to agree to. Describe the necessary conditions for price discrimination **[8 Marks]**

### **QUESTION THREE**

- a) Clearly differentiate between the economic terms Strong Axiom of Revealed Preference and Weak Axiom of Revealed Preference. **[10 Marks]**
- b) Analyze the effects of government interventions, such as price controls and taxes, on Market outcomes. **[10 Marks]**

### **QUESTION FOUR**

- a) Explain the concept of general equilibrium and the conditions necessary for general equilibrium to occur. **[6 Marks]**
- b) Explain the concepts of production function, total cost, average cost, and marginal cost. **[14 Marks]**

### **QUESTION FIVE**

- a) Discuss the effects of changes in income and prices on consumer choices. **[8 Marks]**
- b) Explain the concepts of budget constraint, indifference curves, and the consumer's optimal choice **[12 Marks]**