



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY – APRIL 2025 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: ECON 200

COURSE TITLE: INTERMEDIATE 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) Write short notes on the following

- i) Marginal rate of technical substitution [5 marks]
- ii) Consumer equilibrium [5 marks]
- b) Distinguish between Giffen goods and Veblen goods. [5 marks]
- c) Explain the three assumptions about preferences. [9 marks]
- d) Explain the properties of indifference curves. [6 marks]

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

XYZ enterprises is a medium sized firm which specializes in production of water taps. The finance department has determined the following cost structure per unit of a tap produced.

- a) Variable cost per unit 15/=
 - b) The fixed cost period is 20/=
- Selling price for tap is 25/=

Required:

- i. Derive the total cost function and revenue function [6 marks]
 - ii. Determine the break-even point. [2 marks]
 - iii. The number of taps that would give a profit of 4/= [2 marks]
 - iv. If for some reason the price of taps increases to 35/= per tap. What will be the break-even output [4 marks]
- a) b) Explain the factors that affect the mobility of labor [6 marks]

Question three

- a) Discuss the sources of monopoly power [10 marks]
- b) Explain the main differences between weak revealed preference and strong revealed preference. [10 marks]

Question Four

a) Once prices are determined in an oligopoly market, they tend to remain rigid. Discuss this statement. **[8 Marks]**

b) Production is the transformation of inputs into outputs. Explain the main difference between production and production technology. **[12 marks]**

Question five

a) Discuss the concept of substitution effect and income effect. **[8 Marks]**

b) Explain the meaning of perfect market structure, its characteristics and advantages.

[12 marks]