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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2019/2020 ACADEMIC YEAR ONE**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: ECO110 (GSSP)**

**COURSE TITLE: INTRODUCTION TO MICROECONOMICS**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 14/12/2020 TIME: 3.00-5.00 PM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of TWO (2) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

1. Define economics and explain whether it is an art or a science **[6 marks]**
2. Briefly describe the factors which influence the demand for a given commodity **[6 marks]**
3. What is macroeconomics? Briefly outline the various areas which fall under macroeconomics **[6 marks]**
4. What do you understand by market equilibrium?. How is it attained? **[6 marks]**
5. Briefly explain the various factors involved in production. **[6 marks]**

**QUESTION TWO**

1. Use the following table and draw curve of wheat in market in January 2019.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Price  (Shs) | Quantity of wheat (Kg) |  |  |  |  |  |  |  |
| 0 | 0 |  |  |  |  |  |  |  |
| 1 | 50 |  |  |  |  |  |  |  |
| 2 | 100 |  |  |  |  |  |  |  |
| 3 | 150 |  |  |  |  |  |  |  |
| 4 | 200 |  |  |  |  |  |  |  |
| 5 | 250 |  |  |  |  |  |  |  |
| 6 | 300 |  |  |  |  |  |  |  |
| 7 | 350 |  |  |  |  |  |  |  |

**[10 marks]**

1. Explain market surplus by using a well labeled curve. **[10 marks]**

**QUESTION THREE**

1. Describe various types of price elasticities**. [10 marks]**
2. When Omollo’s income increases from sh 2000 to sh 3000 his demand increases from 90 kg to 120 kg. Calculate income elasticity of demand. **[10 marks]**

**QUESTION FOUR**

1. Explain the features of a perfectly competitive market [**10 marks]**
2. Describe the various methods of allocating resources **[10 marks]**

**QUESTION FIVE**

Write short notes on the following:

1. Factors determining supply **[5 marks]**
2. Microeconomics **[5 marks]**
3. Market demand **[5 marks]**
4. Normative economics **[5 marks]**