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**GARISSA UNIVERSITY**

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

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

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

**COURSE CODE: ECO 210**

**COURSE TITLE: INTERMEDIATE MICROECONOMICS**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 11/12/2020 TIME: 09.00-11.00 AM**

**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. With the aid of an illustration, expound on the following concepts: **[6 marks]**
2. Budget Constraint **[3 marks]**
3. Consumer Preferences **[3 marks]**
4. Indifference Curves **[3 marks]**
5. Marginal Rate of Substitution **[3 marks]**
6. Utility function for perfect substitute **[3 marks]**
7. Consumer equilibrium **[3 marks]**
8. Boundary Optimum **[3 marks]**
9. Using a mathematical approach, determine the demand functions for the optimal choice bundle of the consumer **[9 marks]**

**QUESTION TWO**

1. When a firm makes choices it faces many constraints as it attempts to produce goods and services. Discuss. **[10 marks]**
2. Write short notes on the following:
3. Cobb Douglas production function **[2 marks]**
4. Properties of Technology **[2 marks]**
5. Marginal Product **[2 marks]**
6. Marginal Technical Rate of Substitution **[2 marks]**
7. Diminishing Technical Rate of Substitution **[2 marks]**

**QUESTION THREE**

1. A firm in perfectly competitive market produces and sells two goods $Q\_{1}$ and$ Q\_{2}$ priced at Kenya Shillings 40 and 50 respectively. The total cost function is given as follows:

 $TC=3Q\_{1}^{2}+3$ $Q\_{1}Q\_{2 }$ + $2Q\_{2}^{2}+10$

1. Total Revenue Function of the firm **[3 marks]**
2. The Total Profit Function of the firm **[3 marks]**
3. The critical values of $Q\_{1} and Q\_{2} $for profit maximisation **[3 marks]**
4. The Total Cost at quantities 10 and 20. **[3 marks]**
5. With the aid of a well labelled diagram, explain the concept of cost minimisation **[6 marks]**

**QUESTION FOUR**

1. Highlight the eight main salient features of a perfect competitive market **[8 marks]**
2. A firm in a perfect competitive market makes zero profit in the long run. With the aid of a well labelled diagram, explain such occurrence**. [12 marks]**

**QUESTION FIVE**

1. Discuss in detail any five conditions for occurrence of equilibrium simultaneously in all markets.

 **[10 marks]**

1. With the aid of the Edgeworth Box, analyse the exchange of two goods between two people **[10 marks]**