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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR ONE**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

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

**COURSE CODE: ECO 110**

**COURSE TITLE: INTRODUCTION TO MICROECONOMICS**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 24/08/2021 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. Specialization brings its benefits but it also has limitations. Discuss the statement [6 marks]
2. Explain the three types of demand. [6 marks]
3. Explain some of the feature of monopoly. market competition [8 marks]
4. Explain four factors that can influence elasticity of supply. [8 marks]
5. The table below shows the demand and supply schedules for a product.

|  |  |  |
| --- | --- | --- |
| Price (Sh.Per Kg.) | Demand  (Kg) | Supply (Kg.) |
| 15 | 100 | 20 |
| 25 | 90 | 40 |
| 35 | 80 | 60 |
| 45 | 70 | 80 |
| 55 | 60 | 100 |
| 65 | 50 | 120 |
| 75 | 40 | 140 |

**Required:**

1. Plot the demand and supply curves and determine the equilibrium price and quantity [4 marks]
2. On the same graph show and explain how equilibrium is reached through the forces of demand and supply when there is a change in prices. [3 marks]

**QUESTION TWO**

1. With a well lable diagram explain factors that may lead to supply curve shifting to the left

[10 marks]

1. Discuss the modern theories of wage determination. [10 marks]

**QUESTION THREE**

1. Explain any three assumptions of indifference curve theory. [6 marks]
2. Briefly explain any four main factors that may cause a fall in the supply of a good in the market. [8 marks]
3. Outline the limitations of cardinal utility theories. [6 marks]

**QUESTION FOUR**

1. Explain the theories that are used to explain the approaches of consumer behaviour. [10 marks]
2. Explain the five types of price elasticity of demand [10 marks]

**QUESTION FIVE**

1. Discuss some of the barriers to geographical mobility of labour. [10 marks]
2. Explain five factors that influence the location of a firm in Kenya [10 marks]