



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS**

**2021/2022 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS  
BACHELOR OF SCIENCE-ECONOMICS**

**COURSE CODE: ECO 1103-1**

**COURSE TITLE: INTRODUCTION TO  
MICROECONOMICS**

**DATE: 31<sup>ST</sup> MARCH, 2022**

**TIME: 1100-1300**

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**INSTRUCTIONS TO CANDIDATES**

Answer Question **ONE** and any other **TWO** questions

*This paper consists of **four** printed pages. Please turn over.*

### QUESTION ONE

- a) Clearly distinguish the following pairs of economic concepts
- i. Economic and non-economic resources **(2 marks)**
  - ii. Income and cross elasticity of demand **(2 marks)**
  - iii. Isoquant and indifference curve **(2 mark)**
- b) You are given the following economic function  
 $Q_1 = 500 - 4p$ ;  
 $Q_2 = -100 + 2p$   
Where, P is the market price for a particular commodity.
- i. Identify with reasons the demand and supply functions **(2 marks)**
  - ii. Compute the equilibrium price and quantity **(2 marks)**
- c) Illustrate graphically the short-run equilibrium of a monopolist earning super-normal profits **(5 marks)**
- d) Explain the consumer equilibrium under cardinal approach and show how the demand curve for a normal good is derived. **(5 marks)**

### QUESTION TWO

- a) Determine the equilibrium quantities of commodities x and z for a consumer whose total utility (U) and other relevant variables are given below;
- $$U = 20x - 4z^2 + 40z - x^2$$
- Income level  $Y = Ksh.48$   
Price of  $x(p_x) = ksh.2$   
Price of  $z(p_z) = ksh.4$   
Show all your workings **(8 marks)**
- b) Using a well labeled diagram describe the relationship between average total cost (ATC), average variable cost (AVC) and marginal cost (MC) **(3 marks)**
- c) State and explain assumptions of consumer preference **(4 Marks)**

### QUESTION THREE

- a) Discuss the usefulness of the concept of elasticity **(4 marks)**
- b) 'Man is a rational being', discuss. **(3 marks)**
- c) Given  
Demand function:  $Q_d = 3550 - 266p$

Supply function:  $Q_s = 1526 + 240p$

- i. Determine the equilibrium market price and quantity **(3 marks)**
- ii. Using the demand for a giffen good, illustrate an unstable equilibrium **(5 marks)**

#### **QUESTION FOUR**

Consider the production data below where labour is the variable factor of production.

Labour	Total Physical Product
1	15
2	35
3	60
4	90
5	120
6	144
7	158
8	160
9	160
10	158

- a) Find the average physical product and marginal product at each level of labour. **(4 marks)**
- b) Demarcate and explain the three stages of production **(6 marks)**
- c) Explain five sources of monopoly powers to a firm **(5 marks)**

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