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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: 08/04/2021 TIME: 12.00-2.00 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. Briefly discuss any three types of economic systems. [6marks]
2. In economics, wealth possesses utility, scarcity and money value.In respect to the statement, explain the three types of wealth. [6 marks]
3. Explain some of the feature of perfect market completion [8 marks]
4. Explain the main characteristics of indifference curves. [6 marks]
5. The table below shows the demand and supply schedules for a product.

|  |  |  |
| --- | --- | --- |
| Price (Sh. Per Kg.) | Demand (Kg) | Supply (Kg.) |
| 15 | 150 | 20 |
| 25 | 135 | 36 |
| 35 | 120 | 53 |
| 45 | 105 | 70 |
| 55 | 90 | 87 |
| 65 | 75 | 103 |
| 75 | 60 | 120 |

**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. Discuss some of the barriers to geographical mobility of labour. [10 marks]
2. Discuss the modern theories of wage determination. [10marks]

**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 major types of price elasticity of demand [10 marks]
2. Explain five factors that influence the location of a firm in Kenya [10 marks]

**QUESTION FIVE**

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

[10 marks]

1. Explain the theories that are used to explain the approaches of consumer behaviour. [10 marks]