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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/2021 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: 05/04/2021 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. Differentiate the following concepts as used in micro –economics. (8marks)
2. Equilibrium and Rationality
3. Marginal Rate of Technical Substitution and Marginal Rate of Substitution
4. A consumer is consuming 3 goods X1 X2 X3 whose prices are P1, P2 and P3 respectively. Derive the condition for utility maximization for this consumer. (10marks)
5. By use of diagrams, differentiate short run and long run equilibrium for a firm under perfect competition (12marks)

**QUESTION TWO**

1. Using diagram show that indifference curves must be strictly convex. (8marks)
2. Explain why a monopolist faces a downward sloping demand curve. (5marks)
3. Given the producer objective function is Max Q = f (L, K), derive the cost minimizing level of employment. (7marks)

**QUESTION THREE (20marks)**

1. Given that Q = 1000 L0.25 K0.75 and the producers budget is given as

3000 = 100L + 50K

Determine the equilibrium level of employment for this producers (12marks)

1. Discuss the conditions necessary for price discrimination by a monopolist. (8marks

**QUESTION FOUR**

1. By use of a diagram, explain the condition of consumer equilibrium under ordinal theory (6marks)
2. Explain the criticism directed towards cardinal theory by ordinalists (6marks)
3. The demand and cost curves of a producer are as follows.P=100-5Q and TC= 15+5Q2.Calculate his total profit (8marks)

**QUESTION FIVE**

1. A firm faces the following demand and cost functions.

Q=70-0.5P

TC=10+5Q2

1. Find optimal Price and Quantity (8marks)
2. Optimal level of profit (4marks)
3. Using a diagram, explain the concept of kinked demand curve (8marks)