



Kasarani Campus

Off Thika Road
Tel. 2042692 / 3

P. O. Box 49274,

00100

NAIROBI

Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212

Fax: 4444175

**KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FOR THE DIPLOMA IN HUMAN RESOURCE MANAGEMENT
DHR 020: PRINCIPLES OF MICRO-ECONOMIC THEORY**

Date: 16TH AUGUST 2023

Time: 8:30AM-10:30AM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- Why is the consumer said to be sovereign? (4 Marks)
- What factors limit this sovereignty? (4 Marks)
- Explain the circumstances under which price control is considered necessary. (4 Marks)
- What are the major consequences of each of the price control measures? (8 Marks)
- Define elasticity of supply and briefly explain any five factors that influence the elasticity of supply. (10 Marks)

QUESTION TWO (20 MARKS)

- Clearly explain the distinction between supply, demand and equilibrium price. (8 Marks)
- State and briefly explain any four main factors that may cause a fall in the supply of a good in the market. (8 Marks)
- State the main determinants of elasticity of demand. (4 Marks)

QUESTION THREE (20 MARKS)

- What are factors of production? (8 Marks)
- Explain the meaning of mobility of factors of production. To what extent are factors of production factors mobile? (7 Marks)
- What is the importance of Demand curves? (5 Marks)

QUESTION FOUR (20 MARKS)

- What is 'Oligopoly'? (2 Marks)
- Using a well-illustrated diagram, explain why prices are 'sticky' downwards under an oligopolistic market structure. (12 Marks)
- Write explanatory notes on the various types of internal and external economies of scale.

(6 Marks)

QUESTION FIVE (20 MARKS)

- a. What is meant by economies and diseconomies of scale? (6 Marks)
- b. Using a well-illustrated diagram, show that a monopolist can make losses in the short-run even when $\text{Marginal cost} = \text{Marginal revenue}$. (14 Marks)