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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 15th December, 2022
Time: 2.30pm –4.30pm

KFI 100 - PRINCIPLES OF MICRO ECONOMIC THEORY

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Given
 $q = Ak^2l^5$
- i) Calculate marginal productivity of K and L (4 Marks)
ii) Interpret the answers in (i) above (2 Marks)
- b) Use table below to determine the total variable cost and marginal cost of each unit produced (8 Marks)

Unit produced	Total cost \$
0	50
2	80
5	150
6	155
10	180
12	200

- c) State and explain any three Axioms under cardinalist theory of consumer behavior (6 Marks)
- d) The following is given
 $Q_d = a - bp$
 $Q_s = -c + dp$
Required:
- i) Calculate equilibrium price and quantity (5 Marks)
ii) Explain your answers in (i) with help of hypothetical graph (5 Marks)

QUESTION TWO (20 MARKS)

- a) Show graphically how consumer equilibrium is arrived at in cardinalist approach in consumer theory. (4 Marks)
- b) Proof that marginal rate of substitution between good x and y equal the ratio of their marginal utilities (4 Marks)
- c) Differentiate between oligopoly and monopoly markets. (4 Marks)
- d) Identify and explain four characteristics of indifference curves. (8 Marks)

QUESTION THREE (20 MARKS)

- a) Briefly explain the exceptions to the law of demand (9 Marks)
- b) The table below gives the short run total cost function for a typical firm in a perfectly competitive industry

Price in Kshs	Quantity demanded
50	2
45	6
30	10
26	18
18	20
15	40
10	80

- Sketch the demand curve using information in table above (3 Marks)
- c) Describe determinants of elasticity of supply in Kenya (8 Marks)

QUESTION FOUR (20 MARKS)

- a) By use of different production curves, sketch and describe the stages of production (10 Marks)
- b) Explain how the price ceiling government policy causes disequilibrium in a competitive market (use graphs) (7 Marks)
- c) State any three consequences of the policy in (b) above on an economy (3 Marks)

QUESTION FIVE (20 MARKS)

- a) Briefly describe any four factors that may cause an inward shift of the demand curve of a commodity. (8 Marks)
- b) State the law of return to scale and explain three types of return to scale (7 Marks)
- c) The price of a mango increased from Kshs 20/- to Kshs 35/- and hence led to a increase in the quantity supplied from 10,000 to 30,000 units. Calculate and interpret the elasticity of supply (5 Marks)