



**SCHOOL OF PROFESSIONAL STUDIES
BACHELOR OF BUSINESS ADMINISTRATION**

**UNIT CODE/NAME: BBA 201: INTERMEDIATE MICRO-
ECONOMICS**

January – April 2018/2019 End Semester Exam

Time: 2 Hours

Instructions: Answer Question ONE (Compulsory) and any other TWO questions.

Question One.

Being an expert in economic matters, you have been able to advice on array of economic issues. These have included among others why resources are limited and desires unlimited. This forms the bottom line of economics and all over economist tries to solve this myriad.

- i. Briefly discuss at least three criteria of welfare economics giving shortcoming for each. **{ 9 marks }**
- ii. In the concept of equilibrium;
 - a. Differentiate between equilibrium and disequilibrium **{ 4 marks }**
 - b. Differentiate between general equilibrium and partial equilibrium **{ 4 marks }**
 - c. With an aid of diagram, show and explain how equilibrium shifts. **{ 5 marks }**
- iii. In economics we are faced with public goods and externalities;
 - a. Giving examples, discuss negative externalities from production and positive externalities from consumption. **{ 4 marks }**
 - b. Giving examples, discuss positive externalities from production and negative externalities from consumption. **{ 4 marks }**

Question Two.

Economist have tried to explain how the normal forces of demand and supply adjust to prices, a phenomenon they have termed elasticity.

- a. Clearly explain three types of price elasticity of demand **{ 6 marks }**
- b. Briefly discuss the determinants of price elasticity **{ 3 marks }**
- c. With aid of diagrams discuss how change of income affect affects demand. **{ 6 marks }**

Question Three.

Economic efficiency deals with the issue of scarcity of resources.

- i. Briefly discuss what economic efficiency entails. **{ 3 marks }**
- ii. Discuss with an illustration the following types of economic efficiency;
 - a. Productive efficiency **{ 4 marks }**
 - b. Allocative efficiency **{ 4 marks }**
 - c. Pareto efficiency **{ 4 marks }**

Question Four.

Study the figure below of a monopoly.

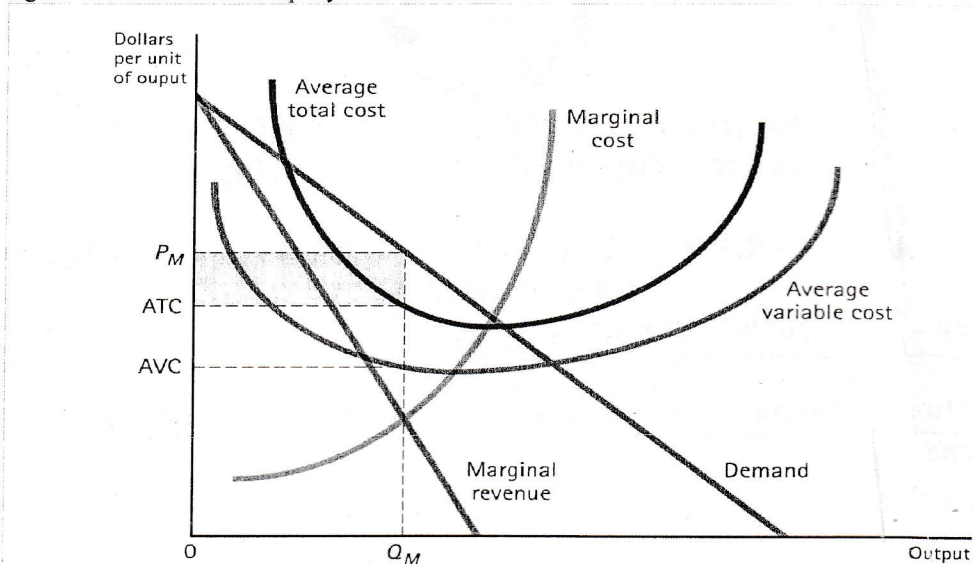


Figure 11.4 Output and Price Decisions of a Monopolist

Managerial Economics, 6th Edition
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- i. Explain the behaviour of average total cost verse average variable cost { 5 marks}
- ii. Discuss the importance of marginal revenue and marginal cost a firm { 6 marks}
- iii. Discuss some strategic entry barriers used by monopolists. { 4 marks}

Question Five.

Firms have ordinarily existed with an objective of profit maximization. The new school of thought is that there are alternatives to firm's profit maximization ideology.

- i. Briefly discuss at least three alternatives firms have to profit maximization { 6 marks}
- ii. Behavioural economists believe that modern firms are complex organizations made up of various stakeholders. Discuss the functions of at least two major stakeholders in a firm. { 4 marks}
- iii. Clearly discuss the difference between nationalization and privatization (5marks)