



**Riara School of Business**  
*Nurturing business innovators*

**SEPTEMBER -DECEMBER 2023 TRIMESTER EXAMINATIONS**  
**DAY PROGRAMME**  
**EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION**  
**DAY PROGRAMME**

**RFN 101: MICRO ECONOMICS**

**DATE: 27<sup>th</sup> DECEMBER 2023**  
**2 HOURS**

**TIME:**

**GENERAL INSTRUCTIONS:**

- i. Students are **NOT** permitted to write on the examination paper during reading time.
- ii. This is a closed book examination. Text book/Reference books/notes are not permitted.

**SPECIAL INSTRUCTIONS**

1. Write your REGISTRATION NO. Clearly on the answer booklet(s).
2. Answer Question One and ANY other TWO questions.
3. Questions in all sections should be answered in answer booklet(s)
4. PLEASE start the answer to EACH question on a NEW PAGE.
5. For the questions, write the number of the question on the answer booklet(s) in the order you answered.
6. Write on both sides of each leaf and indicate number of each question at the top of each page.
7. Write the answers in a paragraph form unless stated otherwise.
8. Marks allocated to each question are shown at the end of the question.
9. All rough work must be done on the answer booklet and crossed through!
10. Use supplementary pages only when you have exhausted those in this book.

11. Fasten the supplementary pages to the inside back cover of this booklet.

### QUESTION ONE: COMPULSORY (30 MARKS)

- a) In October, Joy's Snack restaurant sold 1,000 fruit smoothies at a price of Kshs.250 each. In November, they sold 1,300 fruit smoothies at a price of 200. Is the demand for fruit smoothies' elastic or inelastic? Show the math calculations to support your answer **(5 marks)**
- b) Explain the following terms;
- i. Budget constraint **(2 marks)**
  - ii. The law of Diminishing Marginal Utility **(2 marks)**
  - iii. Price discrimination **(3 marks)**
  - iv. Marginal Rate of Substitution **(3 marks)**
  - v. The Law diminishing returns **(2 marks)**
- c) Evaluate **four** disadvantages of centrally planned economies **(10 marks)**
- d) A bakery produces 200 meat pies per week that sell for Shs 150 each. When the price increases to Shs.200, it produces 250 meat pies per week. Is supply elastic or inelastic? Explain your answer. **(3 marks)**

### QUESTION TWO

- a) Explain **five** factors that would cause change in quantity demanded in a market for goods and services **(10 marks)**
- a) Using examples explain the following terms
- i. Market failures **(3marks)**
  - ii. Positive externality **(3marks)**
  - iii. Negative externality **(3marks)**
  - iv. Public goods **(3marks)**
  - v. Production function **(1 mark)**

### QUESTION THREE

- a) Describe **five** determinants of quantity of commodities supplied **(10 marks)**
- b) Explain **Five** differences between perfect competition market and monopoly market **(10 marks)**

#### QUESTION FOUR

- a) Using a well labelled diagrams distinguish between maximum price and minimum price as used in price control by the government of Kenya **(8 marks)**
  
- b) Explain **four** consequences of maximum (ceiling) prices imposed by the government in the business environment **(8 marks)**
  
- c) Describe **two** differences between positive and normative methodology of economics. **(4 marks)**