



Riara School of Business
Nurturing business innovators

MAY -AUGUST 2022 TRIMESTER EXAMINATIONS
DAY/PROGRAMME
EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION
DAY PROGRAMME
RFN 101: MICRO ECONOMICS

DATE: 1ST DECEMBER 2022
2 HOURS

TIME:

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 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 booklet.

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

QUESTION ONE: COMPULSORY (30 MARKS)

- a) Distinguish between point and arc elasticity of demand using well labelled diagrams
(8 marks)
- b) Given $Q_D = 200 - 4p$ (demand curve) and $Q_S = 8 + 8p$ (supply curve). Calculate the equilibrium price and quantity. Show your workings clearly
(4 marks)
- c) Explain **five** differences between perfect competition market and monopoly market
(10 marks)
- d) Using a well labelled diagrams distinguish between maximum price and minimum price as used in price control by the government of Kenya
(8 marks)

QUESTION TWO

a) Consider the following demand schedule for a commodity X and the total sales:

Price of X (Sh/kg)	Quantity of X demanded (kg)	Total sales
16	0	0
14	3	42
12	6	72
10	9	90
8	12	96
6	15	90
4	18	72
2	21	42
0	24	0

Required:

- i. Determine coefficient of elasticity of demand when price is Sh. 10, the point where quantity demanded is 9 kgs
(3marks)
- ii. Determine coefficient of elasticity of demand when price is Sh. 4, the point where quantity demanded is 18kgs
(3marks)

- iii. Estimate arc price elasticity in the price range from Sh.2 to Sh. 6 (4 marks)
- b) Explain **five** problems faced by suppliers in the market (10 marks)

QUESTION THREE

- a) Highlight **three** differences between microeconomics and macroeconomics (6 marks)
- b) Explain the following terms;
- i. Budget constraint (2 marks)
 - ii. The laws of Diminishing Marginal Utility (2 marks)
 - iii. Price discrimination (3 marks)
 - iv. Marginal Rate of Substitution (3 marks)
- c) Explain the difference between positive and normative methodology of economics. (4 marks)

QUESTION FOUR

- a) Explain the term economies of scale (2 marks)
- b) Explain **four** sources of economies of scale for a corporation such Coca Cola Company (8 marks)
- c) Distinguish between a movement along the supply curve and a shift of the supply curve using well labelled diagrams (10 marks)