



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

**JANUARY APRIL 2023 TRIMESTER EXAMINATIONS**

**EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION**

**DAY AND EVENING PROGRAMME**

**RFN 101: MICRO ECONOMICS**

**DATE: JANUARY -APRIL 2023**  
**HOURS**

**TIME: 2**

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**GENERAL INSTRUCTIONS:**

Students are NOT permitted to write on the examination paper during reading time.  
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 Marks allocated to each question are shown at the end of the question.
- 5 PLEASE start the answer to EACH question on a NEW PAGE.
- 6 For the questions, write the number of the question on the answer booklet(s) in the order you answered them.
- 7 Write your answers in paragraph form unless stated otherwise.
- 8 Keep your phone(s) SWITCHED OFF at the front of the examination room.
- 9 Keep ALL bags and caps at the front of the examination room and do not refer to any unauthorized material before or during the course of the examination.
- 10 You are only allowed to leave the examination room 30minutes to the end of the Examination.

### QUESTION ONE: COMPULSORY (30 MARKS)

- a) Using a well labelled diagram explain **four** consequences of maximum prices (floor prices) imposed by the government in the business environment **(8 marks)**
- b) With the aid of well-labelled diagrams, distinguish between movement along the demand curve and shifts of the demand curve **(8marks)**
- c) Explain **Four** features of perfect competition market **(10 marks)**
- d) Explain the difference between consumer surplus and producer surplus **(4marks)**

### QUESTION TWO

- a) Describe the term elasticity of demand **(2 marks )**
- b) Explain **three** applications of the concept of elasticity of demand **(6 marks)**
- c) Using examples explain the following terms
  - i. Market failures **(3marks)**
  - ii. Positive externality **(3marks)**
  - iii. Negative externality **(3marks)**
  - iv. Public goods **(3marks)**

### QUESTION THREE

- a) Explain **five** challenges faced by suppliers in the market **(10 marks)**
- b) Explain **three** differences between command and free market economic system **(6 marks)**
- c) Explain the following terms;
  - i. Budget constraint **(2 marks)**
  - ii. Marginal Rate of Substitution **(2 marks)**

### QUESTION FOUR

- a) Using a well labelled diagram explain the concept of production possibility frontier (PPF) **(8 marks)**
- b) Explain the following terms as used in economics
  - i. Economies of scale **(2 marks)**
  - ii. Diseconomies of scale **(2 marks)**

iii. Law of diminishing marginal utility

(2 marks)

c) the revenue function is  $R = 28q - q^2$ , Variable cost per unit is  $V = q - 8$

and fixed cost is sh 64

Required:

(i) Total cost function (2 marks)

(ii) Profit function (2 marks)

(iii) Output and price for a maximum profit (2 marks)