



# MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

P.O. Box 972-60200 – Meru-Kenya.  
Tel: +254 (0)799529958, +254 (0)799529959, +254 (0)712524293  
Website: [www.must.ac.ke](http://www.must.ac.ke) Email: [info@must.ac.ke](mailto:info@must.ac.ke)

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## UNIVERSITY EXAMINATIONS 2024/2025

FIRST YEAR, FIRST SEMESTER EXAMINATION FOR DEGREE OF BACHELOR OF COMMERCE/ BACHELOR OF BUSINESS ADMINISTRATION/ BACHELOR OF SCIENCE IN ACCOUNTING/ BACHELOR OF SCIENCE IN HUMAN RESOURCE AND MANAGEMENT/ BACHELOR OF PROCUREMENT AND LOGISTICS MANAGEMENT/ BACHELOR OF SCIENCE IN ACTUARIAL SCIENCE/ BACHELOR OF SCIENCE IN STATISTICS/ BACHELOR OF BUSINESS IN INFORMATION TECHNOLOGY/ BACHELOR OF SCIENCE IN ECONOMICS

**BEC 3102/BEC 3101/BFB 3101/ BBE 3101: PRINCIPLES OF MICROECONOMICS/ MICROECONOMICS/ INTRODUCTION TO MICROECONOMICS**

**DATE: JANUARY 2025**

**TIME: 2 HOURS**

**INSTRUCTIONS: Answer Question ONE and any other TWO Questions.**

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### QUESTION ONE – (30 MARKS)

- a) Differentiates between the following concept
- i) Economic and non-economic goods (2 Marks)
  - ii) price ceiling and price floor (2 Marks)
  - iii) Isocost line and Isoquant (2 Marks)
- b) Define short-run period and discuss the three types of production curves in the short-run. (4 Marks)

- c) Using their features/characteristics, distinguish between perfect competitive market and oligopoly market. (6 Marks)
- d) The demand function of a commodity is given as  $Qd = 600 - 4p$ . The price of the commodity is ksh.100 per unit. Calculate the price elasticity of demand using point elasticity formula and interpret your answer. (6 Marks).
- e) Explain sources of monopoly power (4 Marks)
- f) Discuss any four assumptions (axioms) made under the cardinal utility approach. (4 Marks)

### QUESTION TWO (20 MARKS)

- a) Define the concept of returns to scale and discuss the three types of returns to scale. (8 Marks)
- b) Using illustration explain the exceptions to the law of demand. (6 Marks)
- c) Explain the concepts of scarcity and opportunity cost. (6 Marks)

### QUESTION THREE (20MARKS)

- a) Given the following functions:  
 $Q_1 = - 2P + 335$  and  $Q_2 = - 15 + 5P$   
 Required:
- i) Giving reasons identify the demand and supply functions between  $Q_1$  and  $Q_2$  (2mks)
- ii) Calculate the equilibrium price and quantity. (6 Marks)
- b) Explain the application of the law of diminishing marginal utility. (6 Marks)
- c) Discuss the importance of elasticity in formulation of government policies. (6 Marks)

### QUESTION FOUR (20 MARKS)

- a) Define the following concepts (10 Marks)
- i. Marginal utility
  - ii. Output
  - iii. Variable costs
  - iv. Production
- b) Explain five assumptions under the ordinal approach to utility measurement. (10 Marks)

**QUESTION FIVE (20MARKS)**

- a) Distinguish between movement along a demand curve and shift in supply curve. (6 Marks)
- b) Using a well labelled diagram discuss the three stages of production in the short-run period. (6 Marks)
- c) Outline the properties of indifference curves. (8 Marks)