PAC UNIVERSITY
DBM0122: PRINCIPLES OF MICRO ECONOMICS ONLINE
DIPLOMA EXAM
DATE: WEDNESDAY AUGUST 2024 TIME: 5.30 P.M. - 8.30 P.M

ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS

QUESTION 1 COMPULSORY (10 MARKS)

(a) Production is affected by a number of factors. Outline any **TWO** of such factors. **(2 Marks)**

(b) Explain the following terms as they are used in Economics and provide an example for each:

(i) Supply; **(2 Marks)**

(ii) Demand; **(2 Marks)**

(c) Antela is a company that does production of leather shoes. Use the table below to answer the questions that follows.

Leather shoes	**Raw material cost**	**Direct labor costs**	**Total variable costs**	**Fixed costs**	**Total costs**
0	-	-	-	500	500
1	5	20		500	
5	25	100		500	
10	50	200		500	

Calculate:

(i) The total variable costs for producing 50 and 100 shoes respectively. **(2 Marks)**

(ii) The total costs for producing 50 and 100 shoes respectively. **(2 Marks)**

QUESTION 2 ***(10 MARKS)***

(a) Outline **TWO** characteristics of imperfect markets. **(4 Marks)**

(b) Explain **THREE** factors that can affect consumer sovereignty. **(6 Marks)**

QUESTION 3 ***(10 MARKS)***

(a) Discuss **TWO** types of market mechanisms as an economic system. **(4 Marks)**

(b) Explain **THREE** factors that affects the price elasticity of demand. **(6 Marks)**

QUESTION 4 ***(10 MARKS)***

(a) Discuss, with relevant examples, the following types of economic utility:

(i) Place Utility; **(2 Marks)**

(ii) Possession Utility. **(2 Marks)**

(b) Explain **THREE** challenges that are associated with the resource allocation process. **(6 Marks)**

QUESTION 5 ***(10 MARKS)***

(a) Explain **TWO** factors that can influence the structure of a market. **(4 Marks)**

(b) A multinational corporation wants to invest in Kenya. As an expert in economics, advise the management on **THREE** factors that they need to consider when investing in Kenya. **(6 Marks)**

QUESTION 6 ***(10 MARKS)***

(a) Discuss **TWO** types of production. **(4 Marks)**

(b) Discuss, with appropriate examples, the following types of market structures:

(i) Perfect Market; **(3 Marks)**

(ii) Oligopoly. **(3 Marks)**

<u>**End of Exam**</u>