PAN AFRICA CHRISTIAN UNIVERSITY

END OF TRIMESTER EXAMINATION

DEPARTMENT: BUSINESS
COURSE CODE: BUS1313/BCM101
COURSE TITLE: PRINCIPLES OF MICROECONOMICS

EXAM DATE:

TIME: 3HRS

INSTRUCTIONS

- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.
- Answer FOUR questions **ONLY**

QUESTION ONE

Describe the following terms as used in micro-economics

i. Free Enterprise economic system (2marks)
ii. Perfect competition (2marks)
iii. Monopolistic competition (2marks)
iv. Monopoly (2marks)
v. Collusive oligopoly (2marks)

QUESTION TWO

a) Describe the law of diminishing returns as used in production theory

(4marks)

b) The law of demand doesn’t apply to all goods. Explain

(6 marks)

QUESTION THREE

a) Outline any four properties of indifference curves (4 marks)

b) Explain any three factors that determine the quantity demanded of a commodity. (6marks)

QUESTION FOUR

a) Highlight any two factors that determine the elasticity of supply (2 marks)

b) Identify and explain any three factors that influence supply (8marks)

QUESTION FIVE

a) Given the following economic function, determine the equilibrium market **price** and **quantity**

Demand function: Qd = 100- 2p
Supply function: Qs = 40+4p (2marks)

b) Explain the following terms as used in economics

i. Price Floor (2marks)

ii. Price Ceiling (2marks)

c) Discuss the concept of Breakeven point in economics (4marks)

QUESTION SIX

a) Outline any four weaknesses of a monopoly (4marks)

b) Given a monopolist demand function in the form;
Q=100-2P

The cost function given as;

50 +40Q

Required:

i. Determine the profit maximizing levels of price and output for the monopolist if price is given as; **P=50-0.5Q** (6marks)