PAN AFRICA CHRISTIAN UNIVERSITY

SCHOOL OF LEADERSHIP, BUSINESS AND TECHNOLOGY

END OF SEMESTER EXAMINATION FOR DIPLOMA IN PROCUREMENT & SUPPLY CHAIN MANAGEMENT

DECEMBER 2018 EXAMINATIONS

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: DSM101

COURSE TITLE: INTRODUCTION TO MICRO ECONOMICS

EXAM DATE: THURSDAY 6TH DECEMBER 2018

DURATION: 3 HOURS

TIME: 2:00PM-5.00PM

INSTRUCTIONS

- Read the instructions and questions carefully before you write the answers.
- Write your **STUDENT NUMBER** in the Answer Booklet given
- Answer question **ONE** and any other **FOUR** questions
- *Write clearly and legibly.*
- *ALL PAC University's examination rules and regulations apply*

QUESTION ONE: COMPULSORY

a. Explain three properties of isoquants. **(6 Marks)**
b. Discuss **three** types of equilibrium. **(6 Marks)**
c. Describe the **four** factors of production. **(8 Marks)**
d. Explain five characteristics of perfect markets. **(10 Marks)**
e. Discuss **five** factors that influence supply of a commodity. **(10 Marks)**

QUESTION TWO

a. Explain **four** advantages of monopolies. **(7 Marks)**
b. Explain **four** exemptions of the law of diminishing returns. **(8 Marks)**

QUESTION THREE

a. Using a diagram explain the production possibility frontier. **(7 Marks)**
b. Discuss four effects of price controls. **(8 Marks)**

QUESTION FOUR

a. Discuss **three** properties of indifference curves. **(6 Marks)**
b. Explain three types of oligopoly markets. **(9 Marks)**

QUESTION FIVE

a. The demand function and supply function of ABC company are as follows:
Demand function : $Qd = 3550- 266p$
Supply function : $Qs = 1526 + 240p$
Required:
   i. Equilibrium price **(2 Marks)**
   ii. Equilibrium quantity **(3 Marks)**
b. Explain five determinants of demand **(10 Marks)**

QUESTION SIX

a. Giving appropriate examples, explain the term "fixed factors of production". **(3 Marks)**
b. Explain two assumptions of isocosts **(4 Marks)**

c. The demand and supply schedules for carrots in Kasarani market are given below.

Price (Kshs)	Quantity demanded per month (thousands of tonnes)	Quantity supplied per month(thousands of tonnes)
2	110	5
4	90	46
8	67.5	100
10	62.5	115
12	60.0	122.5

Determine the equilibrium quantity and price by graphical method. **(8 Marks)**