KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF EXECUTIVE MASTER OF BUSINESS ADMINISTRATION

BBE 881: ECONOMICS FOR MANAGERIAL DECISION

DATE: Monday 5th February 2018 **TIME: 5.30p.m -8.30p.m**

INSTRUCTIONS:

Attempt any 3 questions

1. a) Using the shareholders wealth maximization model explain how the following decisions will affect the value of a business.

   i) Globalization of business operation (4 marks)

   ii) Adoption of advanced technology in production (4 marks)

   iii) Employment of skilled workers (4 marks)

   iv) Replacing borrowing with internal financing of business capital investments (4 marks)

   v) Aggressive advertisement that result in increased sales. (4 marks)

2. a) The demand function of a product is given by Qd = 300-30p

   The supply function is given by Qs = 100 - 20p

   Determine:

   i) The equilibrium price and quantity (6 marks

   ii) Point elasticity at the equilibrium point and interpret it. (4 marks)

   b) Discuss the factors that affect the demand for a product or a service. (10 marks)

3. a) You have been given the following information relating to production for a business

Labour (L)	output (TP)
1	8
2	12
3	18
4	20
5	18
6	4

Required

i) Average product of labour (4 marks)

ii) Marginal product of labour (4 marks)

b) The cost function of a business is given by

$c = 100 + 10Q + 40Q^2$

Required:

i) Fixed cost (4 marks)

ii) Variable cost (4 marks)

iii) Marginal cost (4 marks)

4. a) State and explain the characteristics of a perfect competition market structure (10 marks)

b) Using a diagram explain how equilibrium price and quantity are determined in a monopoly market. (10 marks)