KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2011/2012
(KERICHO CAMPUS)

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN COASTAL AND MARINE RESOURCE MANAGEMENT.

SMR 309: ELEMENTS OF MICROECONOMICS

DATE: FRIDAY 30TH MARCH,2012 **TIME: 11.00 AM – 1.00 PM**

INSTRUCTIONS:

Answer **ALL** questions from Section A and any ONE question from Section B. Within a section all questions carry equal marks. Illustrate your answers with diagrams and give examples whenever appropriate.

SECTION A

Answer all questions (5 marks each)

1. Distinguish between price ceilings and price floors.

2. State the assumptions of the law of diminishing returns.

3. Explain the marginal rate of substitution concept using indifference curves.

4. Explain the reasons that lead to a rightward shift in the demand curve.

5. Distinguish between positive and normative methods used in economic analysis.

6. Explain the difference between average and marginal costs.

7. Describe an Isoquant curve and its properties.

8. Given two commodities X and Y, illustrate income and substitution effects for a fall in price of good X given that Y is a normal good but X is an inferior good.

SECTION B :Answer **only** one question (30marks).

9. Discuss the methods of deriving economic generalization.

10. (a) Describe the conditions necessary for a perfectly competitive market and monopoly to occur.

    (b) Discuss the equilibrium of a firm under perfect and monopolistic competition in the short and long run.