

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF INDUSTRIAL TECHNOLOGY

DEPARTMENT OF TECHNICAL TEACHER EDUCATION

Programme: BACHELOR OF EDUCATION HONOURS DEGREE

GENERAL EXAMINATION

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|-------------------|-------------------------------|--------------|
| Course: | Principles of Micro Economics | CBA 1104 |
| Part/year: | I | January 2011 |
| Time: | 3 hours | 100 marks |

Instructions

1. Answer any four [4] questions.
 2. Questions may be answered in any order
 3. The number of marks is given in brackets [] at the end of each question or part question
 4. Begin each question on a fresh page
 5. Marks may be deducted for careless or untidy work
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Question 1

- (a) Explain, using an appropriate diagram, the production possibility curve. [5 marks]
- (b) What is meant by the term “basic economic problem” in economics? [8 marks]
- (c) Discuss critically the role of the price mechanism as a means of solving the economic problem. [12 marks]

TOTAL [25 marks]

Question 2

- (a) Describe the main factors that influence the market demand for a product. [10 marks]

(b) Using a diagram explain what should happen to the demand for and price of apples when the price of oranges falls sharply. [10 marks]

(c) What is meant by a price control? [5 marks]

TOTAL [25 marks]

Question 3

(a) Define:
(i) Price elasticity of demand [6 marks]

(ii) Income elasticity of demand [4 marks]

(b) Explain why a manufacturer of a good will find it helpful to know the price and income elasticity of demand for his products. [15 marks]

TOTAL [25 marks]

Question 4

(a) Outline the rewards that accrue to the four factors of production. [12 marks]

(b) How are wages determined, according to economic theory? [13 marks]

TOTAL [25 marks]

Question 5

(a) Explain the difference between the concepts of short-run and long-run periods in relation to a business. [12 marks]

(b) Discuss why the long-run average cost curve of a business firm might be U-shaped. [13 marks]

TOTAL [25 marks]

Question 6

(a) Describe the essential requirements for the existence of a perfectly competitive economy. [10 marks]

(b) Show diagrammatically and explain the equilibrium position of a perfectly competitive firm in the long run. [10 marks]

(c) Define and explain the term monopoly.

[5 marks]

TOTAL

[25 marks]

END OF EXAMINATION