



# MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)  
University Examinations for 2015/2016 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT  
SCIENCES

SECOND SEMESTER EXAMINATION FOR DIPLOMA IN ACCOUNTANCY

DACC 106: MICRO ECONOMICS

Date: 8/8/2016

Time: 8.30-10.30 AM

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## INSTRUCTIONS

Answer Question One and Any Other Two Questions

### QUESTION ONE

- a) Explain six characteristics of human wants. (6 marks)
- b) Explain the following concepts as used in the study of Economics
- Scarcity
  - Choice
  - Opportunity cost
  - Basic Economic problem (8 marks)
- c) Explain the law of Demand. Identify five assumptions of the law of law of demand. (6 marks)
- d) Identify and explain five factors that may influence the supply of a product. (10 marks)

### QUESTION TWO

- a) With the aid of well labelled diagrams, explain the effects of changes in supply on equilibrium price and quantity. (10 marks)
- b) Explain five factors that may lead to the rightward shift in supply curve. (10 marks)

### QUESTION THREE

- a) Explain the law of diminishing returns. Explain four assumptions of the law of diminishing returns. (10 marks)
- b) Identify five characteristics of land as a factor of production. (10 marks)

### QUESTION FOUR

- a) Explain with the help of diagram the difference between economies and diseconomies of scale. (10 marks)
- b) The following data relates to the output of a farmer with land as a factor and as a variable factor.

Number of Workers (L)	Total Product (TP)
1	8
2	28
3	51
4	80
5	120
6	144
7	154
8	160
9	162
10	150

In tabular form, determine the average and marginal product. (10 marks)

### QUESTION FIVE

- a) Explain five assumptions of a perfectly competitive market (10 marks)
- b) Explain the equilibrium of a firm under monopoly if the firm is:
- Making Normal profit
  - Abnormal profits