



CATHOLIC UNIVERSITY INSTITUTE of Buea  
2020/2021 ACADEMIC YEAR  
First Semester Examination – 2020/2021



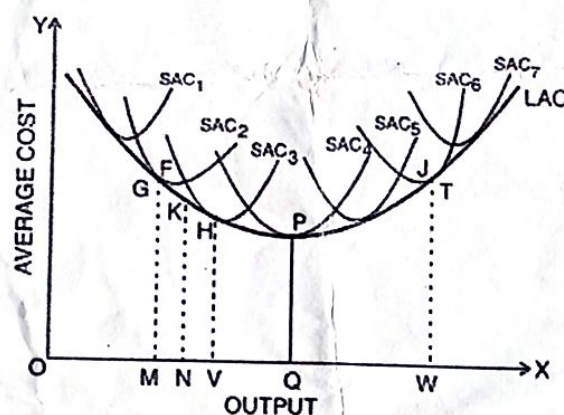
School	SCHOOL OF BUSINESS			
Department				
Course Code	BUS 103	Course Title	FUNDAMENTALS OF BUSINESS ECONOMICS	
Status	C	Credit Value	6	Freshmen
Date	27/02/2021	Venue	Molyko	Time
Course Master(s)	WALTER EPIE NKEM			
		8:00-10:00am		

**INSTRUCTION; ANSWER ALL QUESTIONS IN "SECTION A" AND ANY OTHER TWO QUESTIONS IN "SECTION B".**

**SECTION A**

**Question 1(15MKS)**

- (a) Outline **five** benefits and **five** limitations of division of labour to an enterprise (5mks)  
(b) Below is a long-run cost curve of a competitive firm. Study its behaviour and answer the questions below



**Fig.2 : Long run Average Cost Curves**

- i) What is happening before output level "Q" (1mk)  
ii) Would you advice this firm to continue production after output level Q? Give a reason for your answer. (2mks)  
iii) In your opinion what should be the ideal output level that the firm should produce in order to maximize profit and why? (2mks)





(C) Explain the U-sharp nature of the average cost curve of a firm.

(3mks)

### Question 2 (15 mks)

Study the following demand and supply schedule for bread in Buea.

Price( FCFA Per unit)	Qty demanded(000units per year)	Qty supplied(000units per year)
10	20	80
9	40	70
8	60	60
7	80	50
6	100	40

- a) What is the market price for bread in Buea and why? (2mks)
- b) Calculate the price elasticity of demand when price increases from 8 FRS to 9 FRS. (4mks)
- c) Outline 5 determinants of price elasticity of supply. (5mks)
- d) Outline 4 determinants of price elasticity of demand. (4mks)

### SECTION B

#### Question 3 (10mks)

- (a) Distinguish between returns to scale and returns to variable factors (4marks)
- (b) Fill in the blank spaces in the table below. (6mks)

Units of capital	Units of Labour	Total Output	% change in inputs	% change in output	Returns to scale
20	150	3000			
40	300	7500	-	-	-
60	450	12000	-	-	-
80	600	16000	-	-	-
100	750	18000	-	-	-

#### Question 4 (10mks)

You are presented with the output and cost of a firm given that the unit price is 250 FRS.

Output(tons)	0	1	2	3	4	5	6	7	8
TC(mfcfa)	200	280	525	700	800	1175	1500	1800	2100

- (i) At what output level does the firm break even (2mks)
- (ii) What is the fixed cost of the firm (2mks)
- (iii) What is the marginal cost of the 3<sup>rd</sup> output level? (2mks)
- (iv) What is the AVC of the 6<sup>th</sup> output level. (2mks)
- (v) What is the profit maximizing output level. (2mks)

#### Question 5 (10 marks)

- a) Explain the concept of economies of scale? (2mks)
- b) Briefly explain four advantages of internal economies of scale (8mks)