

# UGANDA MARTYRS UNIVERSITY

FACULTY OF SCIENCE

DEPARTMENT OF ECONOMICS

UNIVERSITY EXAMINATIONS  
SEMESTER I, 2012/13

THIRD YEAR EXAMINATIONS FOR BACHELOR OF SCIENCE  
(B.ECON & GEN)

ECO. 3101: ADVANCED MICROECONOMIC ANALYSIS

DATE: 20<sup>TH</sup> DECEMBER 2012

TIME: 2:00 – 5:00 PM

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**Instructions:**

- i) Answer any **FOUR (4)** questions.
  - iii) Well argued and illustrated answers will earn more marks.
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### **Question One**

How is the satisfaction of a consumer of a given commodity/commodities measured?  
How can such a consumer maximize his/her satisfaction?

### **Question Two**

Given a linear demand curve  $q = a - bp$ , where  $a$  is a constant,  $-b$  is the slope of the curve, and  $p$  is the price of a commodity, prove that price elasticity of demand for this commodity ranges from zero to infinity.

### **Question Three**

A price change of a commodity results into two effects. Illustrate how these effects arise.  
How can these effects help to classify different commodities?

### **Question Four**

What is the difference between a monopoly market and a monopolistic competitive market? Why is it not possible for a monopolist to choose both the quantity he is to produce and the price at which he is to sell that quantity?

### **Question Five**

What do you understand by the term "Pareto Optimality"? How is this concept used to efficiently allocate the scarce resources of production?

### **Question Six**

What are problems facing producers in an oligopolistic market and how do they go about to overcome them? How does a price leader go about to determine the price in a market?

### **Question Seven**

Given the U-shape of the average total cost curve facing a producer, who in turn is facing a gradually expanding market for his product, how does he have to take decisions requiring to break down a smaller plant to replace it with larger plants?