UGANDA MARTYRS UNIVERSITY
NKOZI

UNIVERSITY EXAMINATIONS

FACULTY OF SCIENCE

DEPARTMENT OF ECONOMICS

END OF SEMESTER ONE FINAL ASESSMENT
SEMESTER I, 2015/16

THIRD YEAR EXAMINATIONS FOR BACHELOR OF BUSINESS ECONOMICS & SCIENCE GENERAL

Advanced Microeconomic Analysis
ECO 3101

DATE: 7TH DECEMBER 2015

TIME: 2:00 - 5:00 PM

DURATION: 3HRS

Instructions:

1. *Carefully read through ALL the questions before attempting*
2. ***ANSWER (4) Questions*** *(Well argued and illustrated answers will earn more marks)*
3. *No **names** should be written anywhere on the examination book.*
4. *Ensure that your **Reg number** is indicated on all pages of the examination answer booklet.*
5. *Ensure your work is **clear** and **readable**. Untidy work shall be penalized*
6. *Any type of examination Malpractice will lead to automatic disqualification*
7. *Do not write anything on the questions paper.*

QUESTION ONE
What is the difference between marginal rate of substitution and technical rate of substitution? How is each term helping us to understand the subject of microeconomics?

QUESTION TWO
It is said that a firm in a perfectly competitive industry, which is experiencing constant returns to scale in its production, will eventually find that this production process in the long run is unsustainable. Why?

QUESTION THREE
What is the importance of knowing the price elasticity of demand for a commodity both to the producer and to Government?

QUESTION FOUR
Prove that the portion of the marginal cost (MC) curve from where it intersects with the average variable cost (AVC) curve upwards is at the same time the supply curve of the firm.

QUESTION FIVE
What is the significance of the Slutsky Equation in the study of microeconomics?

QUESTION SIX
Write a budget line equation and demonstrate how it helps the consumer to optimize his satisfaction out of consuming different commodities. Why in particular at that point and not any other?

$-P_y/P_x$ slope

QUESTION SEVEN
Analyze the effect of a tax imposed on a given commodity in a situation of
(a) Perfectly elastic supply;
(b) Perfectly inelastic supply and
(c) Unitary elastic supply and demand.

END
MERRY X – MAS