

# UGANDA MARTYRS UNIVERSITY



## NGETTA CAMPUS

### FACULTY OF AGRICULTURE

**BACHELOR OF AGRICULTURAL ECONOMIC AND AGRIBUSINESS  
MANAGEMENT /**

**DIPLOMA IN AGRICULTURAL ECONOMIC AND AGRIBUSINESS  
MANAGEMENT**

**COURSE CODE: BAEM 1 ECO1101 MICRO-ECONOMICS**

**FINAL ASSESSMENT**

**ACADEMIC YEAR 2023/2024 SEMESTER ONE**

**BAEM I/ DAEM I**

**DATE: 6<sup>TH</sup>/DEC/2023**

**TIME ALLOWED:3 HOURS (9:00am-12:pm)**

#### **INSTRUCTIONS:**

- *Attempt any four questions of choice*
- *All questions carry equal marks*
- *Start every question on a new page*
- *Do not write anything on the question paper*

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#### **Question One.**

- (a) Distinguish between Elasticity of demand and elasticity of supply  
(5 marks)
- (b) What are the major determinants of price elasticity of demand? (10 marks)
- (c) In Lira main Market the price of cassava increases from 30 dollars

to 40 dollars per bag, and the quantity supplied increases from 100 bags to 150 bags calculate the price elasticity of supply. (10 marks)

### **Question two**

(a) State the law of demand and why the demand curve slopes downwards from left to right

(5 marks)

(b) Using relevant examples discuss the major factors that affecting demand of a commodity in an open market (20 marks)

### **Question three**

(a) Giving relevant example(s), explain the major classification of factors of production (8 marks)

(b) Explain the fundamental economic questions that should be answered when dealing with factors of production (12 marks)

(c) Explain the major economic system governing the economies of the world (5 marks)

### **Question Four**

With graphical illustrations, write short notes on the following

(a) An indifference curve (5marks)

(b) Income elasticity of demand (5 marks)

(c) Price elasticity of demand (5 marks)

(d) Cross elasticity of demand (5 marks)

(e) Interest rate elasticity of demand (5 marks)

### **Question five**

(a) Define an indifference curve and state its characteristic (7 marks)

(b) With aid of a diagram, derive the condition for consumers equilibrium under ordinal approach (10 marks)

(c) Using illustration, explain the effect of a decrease and increase of a consumer's income on the budget line (8 marks)

### **Question six**

Using well define diagrams, distinguish between the following analytical principal in microeconomics study

(a) Change in demand and change in quantity demanded (7 marks)

(b) Change in supply and change in quantity supplied (7marks)

(c) Supply, demand and their laws respectively (6 marks)

(d) Demand curve and supply curve (5 marks)

### Question seven

(a) With aid of a diagram, define the terms Total Cost (TC), Fixed Cost (FC), and Variable Cost (VC) (7 marks)

(b) Give the table below, compute the VC, AVC, ATC, MC and profit (15 marks)

Out put	TR	FC	TC	VC	AVC	ATC	MC	Profits
0	0	70	70					
1	250	70	110					
2	300	70	150					
3	400	70	170					
4	500	70	180					
5	700	70	200					

(c) List down the economics of large scale production (3 marks)

### Question eight

a) Using illustration and examples discuss the budget line as an micro-economic students (8 marks)

b) Given that Mr. Okello Tom earns 150,000 Ugx as his monthly salary and he always use his salaries to purchase home requirements and development purposes at the rate of 10,000 Ugx and 15,000 Ugx respectively

(i) Derive four different combination of home requirement and development purposes that exhaust all his salary (8 marks)

(ii) Illustrate those combinations on a budget line (7 marks)

Good luck