

**UGANDA MARTYRS UNIVERSITY**  
**FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT**  
**MASTERS IN BUSINESS ADMINISTRATION ONE**  
**BUSINESS ECONOMICS (6109), FINAL EXAMINATION**  
**DATE: SATURDAY 5<sup>TH</sup> NOVEMBER 2022**

**INSTRUCTIONS**

- I. Time allowed 3hours (2PM-5PM)**
- II. Section A is compulsory and carries 40 marks (provide short but conceded answers)**
- III. Answer any three questions from section B and each question carries 20 marks**
- IV. Use of relevant examples, cases and illustrations will attract extra marks
- V. Write clearly and legibly
- VI. Start each question on a new page
- VII. Sharing of rulers and calculators are not allowed
- VIII. Mobile phones are not allowed in the examination room

**SECTION A (40 MKS)**

**Question one**

- a) There has always been a misconception in the public where one talks about “Business Economics” yet in reality they mean “Positive Economics or even Normative economics”. Clearly help clear that misconception that the public has as a student who has attended a course on Business economics (5mks)
- b. Find an organization of your interest and explain in detail how one of the aspects of *business economics* is applied in practice. (5mks)
- c) Why do you think any business organization should pay attention to the fundamental economic questions before the production process? ( 5mks) .
- d) Explain why the price in competitive markets settles down the equilibrium intersection of supply and demand. (5mks)
- ii) Explain what happens if the market price starts out too high or too low. (3mks)
- e) Given the following demand and supply function:  $Q_d = a - bP$  and  $Q_s = -c + dP$  where a, b, c, and d are positive constants. P is the price and  $Q_d$  and  $Q_s$  are quantity demanded and supplied respectively.
- i) Find equilibrium price and quantity in terms of a, b, c and d. (5mks)

- ii) From i) above, given that  $a=36$ ,  $b=4$ ,  $c=12$  and  $d=12$ . Find equilibrium price and quantity (5mks)
- iii) If the government fixes the price at 5 from ii (above), prove whether it's a minimum price or maximum price legislation. (4mks)
- ii) What would be the effect of such government action on consumption of commodity X? (3mks)

## **SECTION B (60MKS) ATTEMPT ONLY (3) QUESTIONS**

### **Question two**

- a) With an example, distinguish between inelastic demand and elastic demand. (5mks)
- b) Which factors may lead to inelastic demand of goods and services in our communities (5mks?)
- c) How useful is the knowledge of elasticity in the management and performance of business firms (10 mks)

### **Question three**

- a) Uganda's national income figures have been declining over the past years and it is now anticipated the figures will worsen in the coming years due to the aftermath effects of the global pandemic of COVID-19, which is still greatly affecting the Uganda economy. As a student of business administration, what advice would you give to your government to increase its national income in the coming two years amidst the global corona virus aftermaths negative effects to the country (10marks)
- b) As a business entrepreneur, state how you will react with an increase or a decrease in the following macroeconomic variables (5mks)
- i. An increase in consumer per capita income
  - ii. A reduction in bank interest rate
  - iii. Increased inflation rate
  - iv. Increase in Marginal propensity to consume (MPC)
  - v. Increase in bank rate by the central bank
- c) Assuming a three-sector economy. If  $C_0=10$ ,  $I=50$ ,  $b=0.5$ ,  $G=5$ . Compute the equilibrium level of national income and the level of saving (5mks)

### **Question four**

- a) Justify the rationale for any starting firm to have well defined objectives (5mks)
- b) Using the neo-classical theory of profit maximization, briefly explain how a balance between short term and long term profit maximization can be achieved (5mks)

- c) Explain Baumol, Cyert-March and Williamson schools of thought in relation to other alternative objectives of the firm. **(10mks)**

### Question five

- a) With help of a relevant model, show where a rational firm would choose to operate and why (**5mks**)
- b) Given the output- cost table below, fill in the missing costs at various levels of output (**15mks**)

FC	VC	TC	AFC	AVC	ATC	MC	Output
100	-	100	-	-	-	-	0
-	50		-	-	-	-	1
100	-	200	-	-	-	-	2
-	120	-	-	-	-	-	3

- c) What advice can you give to a manager that is operating a firm under decreasing returns to scale (**5mks**)

### Question six

- a) “Sometimes developing countries have to tradeoff between managing Inflation and unemployment given their limited resources.” From a business perspective, which of the two macro-economic problems (inflation and unemployment) would you prioritize to manage amidst scarce economic resources? Justify your answer (**10mks**)
- b) With contextual examples, identify conditions under which Price scheming and market penetration may work successfully in the market you are familiar with (**10mks**)

### Question Seven

Write short but conceded notes of the following concepts as used in business economics (**20mks**)

- I. Marginal rate of product transformation and marginal rate of substitution
- II. Gross National Product and Gross Domestic Product
- III. Optimizing behavior and opportunity cost
- IV. Macroeconomics and Macroeconomic indicators
- V. Perfectly competitive markets and oligopoly mark

**SUCCESS TO YOU ALL**



ERROR: syntaxerror  
OFFENDING COMMAND: --nostringval--

STACK:

/Title  
( )  
/Subject  
(D:20221104142823+03'00')  
/ModDate  
( )  
/Keywords  
(PDFCreator Version 0.9.5)  
/Creator  
(D:20221104142823+03'00')  
/CreationDate  
(ADMIN-BAM)  
/Author  
-mark-