

2013

INSTRUCTION: ANSWER ONLY 4 QUESTIONS

TIME: 2 HOURS

1. a. What are the characteristics of an Indifference curve?
b. In drawing a budget line, certain assumptions are made. What are these assumptions?
c. Define consumer surplus.
d. What is subsidy?
e. What is the effect of subsidy on consumer surplus?
f. State the law of demand.
g. Why does the demand curve of a normal good slope downward?

2. a. Distinguish between individual and market supply curve.
b. Define equilibrium price and equilibrium quantity.
c. What is the effect of change in demand on the market equilibrium?
d. What is the effect of change in supply on the market equilibrium?
e. Define the following terms:
i. Income elasticity of demand;
ii. Price elasticity of demand; and
iii. Cross elasticity of demand.
f. Mention the factors determining the elasticity of demand.

3. a. Define production function.
b. State the law of diminishing returns.
c. Define an Isoquant map.
d. What is marginal rate of technical substitution?
e. Define an Iso-cost line.
f. What is an expansion path?
g. Define the marginal rate of product transformation.

4. a. Define the following short cost component:
i. Total Cost;
ii. Total Fixed Cost; and
iii. Total Variable Cost.
b. Define the following:
i. Isorevenue line;
ii. Production possibility curve;
iii. Short run average cost; and
iv. Long run average cost.
c. What is market structure?
d. I. Mention the four major types of market.
II. List the characteristics of each of these market structures.

5. a. Define Resources?
b. What is Productive Resources?
c. List the various types of productive resource.
d. What is the purpose of a Model in economic analysis?
e. State the assumptions of the cardinal utility analysis.

6. a. Distinguish between market period and the short run period.
b. At what level of output is the long run equilibrium of the industry attained?
c. What is Price discrimination?
d. Define the short run equilibrium of level output for a monopolistic competitor.