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**CHUKA**



**UNIVERSITY**

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**SUPPLEMENTARY / SPECIAL EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF DEGREE IN BACHELOR OF**

**ECON 415/408: ECONOMICS OF INDUSTRY**

**STREAMS:**

**TIME: 2**

**HOURS**

**DAY/DATE: WEDNESDAY 18/11/2020**

**5.00 P.M - 7.00 P.M.**

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**INSTRUCTIONS:**

Answer Question One And Any Other Two Questions

**QUESTION ONE (30MARKS)**

a. Distinguish between the following terms as used in industrial economics (10 marks)

- i) Market structure and market
- ii) Licensing of products and vertical integration
- iii) Input foreclosure and customer foreclosure
- iv) Price leadership and cartels
- v) Perfect price discrimination and market segmentation

b. Discuss three ways in which the natural environment serves the human economy

(3marks)

c. The average revenue= $e$  and average cost function for a firm are given as follows

$$AR= 4-0.25Q$$

$$AC= 4/Q + 2- 0.3Q +0.05Q^2$$

Find the level of output and price that maximizes profit hence find the maximum profit

(9 marks)

d. What is vertical integration? present a case for and against vertical integration

(8 marks)

**QUESTION TWO (20 MARKS)**

a. Technological innovations have been seen as a direct route to economic growth.

Critically examine this statement. (10marks)

b. There are private as well as public solutions to the problem of pollution. Discuss these solutions (10 marks)

**QUESTION TWO(20MKS)**

a. Discuss the problems facing industrialization in Kenya as well as measures that can be undertaken to curb them (10 marks)

b. A monopolist has the ability to charge different prices to different people for the same product. Discuss the conditions that must exist for price discrimination to be successful (10 marks)

**QUESTION FOUR (20MKS)**

a. The occupational safety and health act in Kenya seek to ensure that workplaces are safe for all those present. Outline the obligations of the employer as stipulated in this act. (10 marks)

b. i. With the aid of a well labelled diagram , explain why the demand curve of an oligopolistic firm is kinked (5 marks)

ii. Discuss the determinants of market structure (5 marks)

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