

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EMBU CAMPUS

EXAMINATION FOR THE AWARD OF BACHELOR OF COMMERCE

ECON 212: INTERMEDIATE MICROECONOMICS

STREAMS: BCOM

DAY/DATE: THURSDAY 07/08/2025

TIME: 2 HOURS

11.30 A.M. – 1.30 P.M

QUESTION ONE (30 MARKS)

1. (a) Define the following economic terms:

- i. Isoquant (1Mark)
- ii. Pareto efficient allocation (1Mark)
- iii. Marginal Product (1Mark)
- iv. Return to Scale (1Mark)
- v. Price discrimination (1Mark)

(b) Distinguish the following terms used in microeconomics;

- i. Cardinal utility and ordinal utility. (2Marks)
- ii. Marginal utility and marginal rate of substitution. (2Marks)

(c) List four factors of production and their reward. (4Marks)

(d) Show the type of Return to Scale exhibited by the following production function (5Marks)

$$Q = AL^{1/3} + K^{1/3}$$

(e) Explain three assumptions of consumer preference (6Marks)

(f) Illustrate with a diagram and explain the exchange between two people and two goods.

(6Marks)

QUESTION TWO

- a) Using diagrams, explain five different types of indifference curves (10Marks)
- b) Derive the Marshallian function given the Utility function below.

$$U = X^{1/2} Y^{1/2} \quad (10\text{Marks})$$

QUESTION THREE

- a) Discuss different types of market structure (10Marks)
- b) Consider a consumer who has a very unique Butterfly consumption demand function

$$\text{given as; } Q = \frac{20 + M}{P}$$

Where Q is the quantity of butterflies in Grams per week. P is the Price per gram and M is Income of consumer. If the consumer's income is originally Ksh150 and the price of butterflies changes from original Ksh 5 to Ksh 3 per gram. Decompose the Total Effect of price change into Substitution Effect (S.E) and Income Effect (I.E). (10Marks)

QUESTION FOUR

- a) Given the following function; $Y = L^{1/2}$ and the price of output is given as 10, wage is given as 100 and the objective of the firm is to maximize profit.

Find:

- i. The unconditional input of demand curve (5Marks)
 - ii. Output supply function (2Marks)
 - iii. The maximum Profit (3Marks)
- (b) Explain the assumptions made under cardinal approach (10Marks)
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