

FACULTY OF BUSINESS AND MANGEMENT

PRE-FINAL EXAM (MICRO ECONOMICS)

TIME: 2HRS: 30MINS

INSTRUCTIONS

ATTEMPT ANY FOUR NUMBERS OF YOUR CHOICE

EACH NUMBER CARRIES 25MARKS

- 1a) State the law of variable proportions.(2marks)
- b) Explain the assumptions underlying the law of variable of proportions.(8marks)
- c) Discuss the limitations of law of diminishing marginal utility.(15marks)
- 2a) Define the term PPF curve. (2marks)
- b) Discuss the assumptions underlying a PPF curve.(8marks)
- c) Explain the factors that may lead to abnormal demand curve. (15marks)
- 3a) Discuss the fundamental economic problems in micro economics.(10marks)
- b) Explain the fundamental economic issues in micro economics.(15marks)

4a) Assuming price increases from Ugx 200 to 250, resulting into an increase in qty demanded from 10 units to 15 units,

Required;

- i. Calculate the cross elasticity of demand of X,Y
- ii. With reason identify and explain the relationship between X and Y

b) Assuming consumers income increased from shs 100 to 120 resulting into a fall in qty demanded from 10 to 5units , required

- i. Calculate the income elasticity of demand.
- ii. With reasons, identify and explain the nature of commodity X.

5a) Distinguish between a laissez-faire economy and a command economy (4marks)

b) Discuss the merits and demerits of a command economy.(21marks)

6a) Distinguish between a budget line and an indifference curve. (4marks)

b) Discuss the properties of indifference curve analysis.(8marks)

c) Explain the limitations underlying indifference curve e analysis. (13marks)

7a) Distinguish between Cross elasticity of demand and Price elasticity of demand.(4marks)

b) Explain various categories of price elasticity of demand.(10marks)

c) Discuss the role of price mechanism in an economy.(10marks).

“SELF-BELIEF AND HARD WORK WILL ALWAYS EARN YOU SUCCESS”.