FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - APRIL 2025

PROGRAMME: BBA, BPA, BPLM,BHRM

YEAR/SEM: YEAR 1/SEMESTER 1

COURSE CODE: ECO 1101

NAME: INTRODUCTION TO MICROECONOMICS

DATE: 2025-04-24

TIME: 2:00-5:00PM

INSTRUCTIONS TO CANDIDATES:

1. Read the instructions very carefully

2. The time allowed for this examination is STRICTLY three hours

3. Read each question carefully before you attempt and allocate your time equally between all the Sections

4. Write clearly and legibly. Illegible handwriting cannot be marked

5. Number the questions you have attempted

6. Use of appropriate workplace examples to illustrate your answers will earn you bonus marks

7. Any examination malpractice detected will lead to automatic disqualification.

DO NOT WRITE ANYTHING ON THE QUESTION PAPER

Section A Section A is compulsory

Question 1:

Jinja is the famous market zone for bread. Every day there is a bulk supply of bread in most of the tea tall and grocery shops in Jinja city. It is supplied at the equilibrium price of $80 per dozen and given the demand for bread, its daily revenue was $24.000 in the last week. Recently, the price of fine flour, used to produce bread, has increased in the local market. Consequently, the supply of bread has been adversely influenced and each dozen price of bread has gone up by $10, resulting in a fall in its revenue by $1500 with the constant demand for bread.

Required:

a) Determine the equilibrium quantity of bread and show the equilibrium situation in the diagram. **(10marks)**

b) As a microeconomist, by how much has the equilibrium quantity of bread increased or decreased? **(06marks)**

c) With reference to the case, explain what happened to the equilibrium price of bread with an increase in the price of fine flour. And show its impact on the supply of bread with the help of a diagram. **(10marks)**

d) With examples, explain how your knowledge of Microeconomics can be used in the process of managing the growth and development of your respective country

(08marks)

e) Using the knowledge of microeconomics, explain why firms in general aim at a reasonable profit rather than pursuing other goals. **(06marks)**

Section B Attempt any three questions

Question 1:

a) With examples, explain how your knowledge of Microeconomics can be used in the process of managing the growth and development of a country such as your respective country. **(06Marks)**

b) Using the knowledge of microeconomics, explain why firms operate businesses and stay in the market **(04Marks)**

c) Explain the benefits of breakeven analysis in business as a microeconomist
(04Marks)

d) Discuss the role that government can play in the management of an economy in a country such as your respective country. **(06Marks)**

Question 2:

a) Giant Screen TV, Inc., is a Kamuli-based importer and distributor of 60-inch screen, high-resolution televisions for individual and commercial customers. Revenue and cost relations are as follows:

   TR = $1,800Q - $0.006Q2

   MR =$1,800 - $0.012Q

   TC = $12,100,000 + $800Q + $0.004Q2

   MC =$800 + $0.008Q

   i) Calculate output, marginal cost, average cost, price, and profit at the average cost-minimizing activity level. (10marks)

   ii) Calculate these values at the profit-maximizing activity level. (02marks)

   iii) Compare and discuss your answers to parts A and B (02marks)

b) Discuss how microeconomists can use these cost measures to make informed production decisions. (06marks)

Question 3:

As a microeconomist for a consumer electronics company launching a new smartphone model.

a) Discuss how cardinal utility theory and ordinal utility theory can help you understand consumer preferences and make pricing decisions. **(06marks)**

b) Explain the concepts of total utility, marginal utility, and consumer equilibrium under cardinal utility. **(06marks)**

c) Explain the assumptions cardinal utility theory and ordinal utility theory.

(08marks)

Question 4:

GreenFields Organic Farm produces a range of organic vegetables. Recently, the prices for organic vegetables have risen due to increased consumer demand for healthy food options. GreenFields is considering expanding its production to take advantage of these higher prices.

a) As microeconomics, explain how the price elasticity of supply can guide GreenFields in making decisions about expanding production. **(04Marks)**

b) What factors will affect the price elasticity of supply for organic vegetables?

(10Marks)

c) A negative Sign of ED indicates the inverse relationship between price and quantity demanded. PED = 0.3 [Less than unitary elastic demand or Inelastic demand] When the price of a good is Shs. 7 per unit, a consumer buys 12 units. When the price falls to Shs. 6 per unit he spends Shs. 72 on the good. Calculate the price elasticity of demand by using the percentage method. Comment on the likely shape of the demand curve based on this measure of elasticity. **(06Marks)**

Question 5:

a)   With examples, distinguish a short-run production function from a long-run production function.   **(05marks)**

b)   With the help of an appropriate illustration, describe the relationship between the average product and the marginal product curves.   **(05marks)**

c)   Explain the major determinants of the cost of production of goods and services in an organization.   **(07marks)**

d)   With the help of appropriate illustrations, explain what you understand by the firm's expansion path.   **(03marks)**

Question 6:

a)   Using appropriate examples, distinguish between cardinal utility theory and ordinal utility theory"   **(06marks)**

b)   Describe the assumptions of cardinal utility theory   **(09 Marks)**

c)   With the help of illustrations, explain the properties of the indifference curve.   **(10 Marks)**