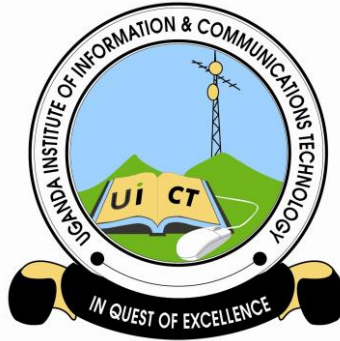




**UGANDA INSTITUTE OF INFORMATION AND COMMUNICATIONS TECHNOLOGY
END OF SEMESTER I EXAMINATION ACADEMIC YEAR 2024/2025**

DEPARTMENT : MANAGEMENT & ICT
YEAR OF STUDY : ONE
PROGRAM : ITB, DBA, RAM & PLM
COURSE : MICRO ECONOMICS
COURSE CODE : BAD 1103
DATE : SUNDAY 15TH DECEMBER, 2024
TIME : 9:00-12:00 HOURS
DURATION : 3 HOURS

INSTRUCTIONS:

- i. This paper consists of **TWO** sections, **SECTION A & B**
- ii. Answer **FOUR (4)** Questions in all.
- iii. Section A is **COMPULSORY**, Answer any **THREE** questions from **Section B**
- iv. Credit will be given for the use of relevant examples and illustrations.
- v. Mobile phones are **NOT** allowed in the exam room.
- vi. **DO NOT** write anything on this question paper, rough work should be done in the answer booklet and cancelled through.
- vii. Start a new number on a new fresh page.

SECTION A (COMPULSORY)

QUESTION ONE:

a) Answer all the multiple answer items in this section

- i) What does a point inside the PPF curve represent? (2Mark)
- a) Efficient use of resources
 - b) Inefficient use of resources
 - c) Unattainable production
 - d) Maximum production
- ii) If the price elasticity of demand is greater than 1, the demand is: (2 Mark)
- a) Inelastic
 - b) Unit elastic
 - c) Elastic
 - d) Perfectly inelastic
- iii) Which of the following goods is most likely to have inelastic demand? (2Mark)
- a) Luxury watches
 - b) Prescription medicine
 - c) Foreign holidays
 - d) Jewelry
- iv) Marginal cost is: (2 Mark)
- a) The cost of all goods produced.
 - b) The additional cost of producing one more unit
 - c) The total fixed cost of production.
 - d) The revenue from selling one unit.
- v) A rational decision-maker will take action when: (2Mark)
- a) Marginal cost exceeds marginal benefit.
 - b) Marginal benefit exceeds marginal cost.
 - c) Total cost exceeds total benefit.
 - d) Total benefit equals zero.
- vi) A rightward shift in the supply curve indicates: (2 Mark)
- a) A decrease in supply.
 - b) An increase in supply.
 - c) No change in supply.
 - d) A decrease in demand.
- vii) Total utility is maximized when: (2 Mark)
- a) Marginal utility is zero.
 - b) Marginal utility is negative
 - c) Marginal utility is positive.
 - d) Marginal utility is constant.
- viii) A movement along the demand curve is caused by: (2 Mark)
- a) A change in price of the good itself.
 - b) A change in consumer preferences.
 - c) A change in income.
 - d) A change in the price of substitutes.
- ix) In a perfectly competitive market: (2 Mark)
- a) Firms can influence the market price.
 - b) Products are heterogeneous.
 - c) There are no barriers to entry or exit.
 - d) Only a few firms dominate the market
- x) Elasticity of demand is calculated as:
- a) Percentage change in quantity demanded divided by percentage change in price.
 - b) Percentage change in price divided by percentage change in quantity demanded.
 - c) Change in total cost divided by total benefit.
 - d) Total revenue divided by total cost.

b) provide short answers for the following questions

- i) Define microeconomics. **(02 Marks)**
- ii) What is scarcity in economics? **(02 Marks)**
- iii) State any two principles of microeconomics. **(02 Marks)**
- iv) Explain opportunity cost with an example. **(02 Marks)**
- v) List the four factors of production. **(02 Marks)**
- vi) State the law of demand. **(02 Marks)**
- vii) What is the production function? **(02 Marks)**
- viii) Define diminishing marginal returns. **(02 Marks)**
- ix) What is utility in economics? **(02 Marks)**
- x) Mention any two factors of production in economics? **(02 Marks)**

SECTION B (CHOOSE ANY THREE NUMBERS FROM THIS SECTION)

QUESTION TWO:

- a) Explain the difference between a change in supply and a change in the quantity supplied. Provide examples relevant to the Ugandan economy. **(08 marks)**
- b) Using examples, describe any four determinants of change in demand for a commodity in the Ugandan context. **(12 marks)**

QUESTION THREE:

Economic systems refer to the ways societies or governments organize and distribute resources, goods, and services to meet their needs and objectives. On the other hand, market structures describe how firms and industries are organized to compete in the marketplace.

Required:

- a) Using relevant examples, discuss the forms of price discrimination under monopoly market structure. **(12 marks)**
- b) Highlight and explain profit making and loss-making situations under perfect competitive firm/ market. **(08 marks)**

QUESTION FOUR:

Timothy's income changed from UGX 430,000 to UGX 400,000, while the price of Commodity X increased from UGX 6,500 to UGX 8,000, leading to a change in the quantity demanded for Commodity X from 10 units to 15 units. During this period, the quantity demanded of Commodity Y dropped from 12 units to 7 units.

Required:

- a) Calculate the following elasticities and give your interpretations for the findings made in:
 - i. Price Elasticity of Demand (PED) for Commodity Y **(05 marks).**
 - ii. Cross Elasticity of Demand (CED) between Commodity X and Commodity Y **(05 marks)**
 - iii. Income Elasticity of Demand (YED) for Commodity Y **(05 marks).**
- b) Explain the key importance of elasticity, providing examples in the Ugandan context **(05 marks).**

QUESTION FIVE:

- a) Explain three fundamental principles in the economics context. **(06 marks)**
 b) Describe the five price determining mechanisms used in the market operations **(10 marks)**
 c) Mention the important of studying economics on Ugandan economy? **(04 marks)**

QUESTION SIX:

XY Uganda Ltd recorded the following production costs in its production department for manufacturing a common good:

Quantity (Units)	0	1	2	3	4	5	6	7	8
Total Cost (UGX)	3,000	3,500	4,200	5,200	6,600	8,400	10,600	13,200	16,200

Given the above information, the company schedule has determined that the fixed cost.

Required:

- a) Using the data provided, prepare a table showing: **(10 marks)**
- Variable Cost (VC),
 - Marginal Cost (MC),
 - Average Fixed Cost (AFC),
 - Average Variable Cost (AVC),
 - Average Total Cost (ATC).
- b) Use the data from (a) to create a graphical presentation of the cost curves, including Total Cost (TC), Average Total Cost (ATC), Average Variable Cost (AVC), Marginal Cost (MC), and Average Fixed Cost (AFC). **(10 marks)**

QUESTION SEVEN

- a) Explain with an illustration the term equilibrium in the market **(04 marks)**
 b) Assume that the demand function for the Laptop market is $Q_d = 7 - P$, and the supply function is $Q_s = -2 + 2P$. Determine the price and equilibrium quantity (Q) **(06 marks)**
 c) Write short notes on the following:
- i) Price **(02 Marks)**
 - ii) Law of demand **(02 Marks)**
 - iii) Change in demand **(02 Marks)**
 - iv) Cardinal utility **(02 Marks)**
 - v) Mixed economic system **(02 Marks)**

*****END*****