



**KISII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**

**FIRST YEAR EXAMINATION FOR THE AWARD OF THE  
DIPLOMA IN AGRICULTURAL AND APPLIED ECONOMICS  
SECOND SEMESTER, 2023/2024  
(JANUARY-APRIL, 2024)**

**AGEC 0102: MICROECONOMICS**

**STREAM: Y1 S2**

**TIME: 3 HOURS**

**DAY: WEDNESDAY, 9:00 – 12:00 P.M.**

**DATE: 17/04/2024**

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**INSTRUCTIONS**

- 1. Do not write anything on this question paper.***
- 2. Question ONE Is Compulsory and Attempt Any Other TWO Questions.***
- 3. Questions in Section A are compulsory; choose the other TWO from section B***

**SECTION A (30MKS)**

**QUESTION ONE**

- a) Define the concept of elasticity of demand. Explain the factors that affect the price elasticity of demand for a product. (10marks)
- b). Differentiate between perfectly competitive markets and monopolistic markets. Discuss the characteristics of each market structure and provide examples. (10marks)
- c). Explain the concept of opportunity cost and its importance in decision-making. Provide an example of how you would use opportunity cost to make a decision. (10marks)

**QUESTION TWO**

- a). Discuss the concept of a production possibility curve. Using a diagram, explain what causes shifts in the production possibility curve. (10marks)
- b). Explain the law of diminishing marginal utility. Provide an example to illustrate this concept. (10marks)

### **QUESTION THREE**

a). Describe the concept of externalities. Discuss positive and negative externalities, giving real-life examples of each. (10marks)

b). Discuss the factors that determine a firm's pricing decision under perfect competition. How does a firm maximize its profit in the short run and long run? (10marks)

### **QUESTION FOUR**

a. Discuss market failure and provide examples of market failures. Explain the role of government intervention in correcting market failures. (10marks)

b). Explain the difference between fixed costs and variable costs. How do these cost concepts impact a firm's decision-making process? (10marks)

### **QUESTION FIVE**

a). Discuss the concept of price discrimination and its implications for firms. Provide examples of industries where price discrimination is commonly practiced. (10marks)

b) Define the law of demand and explain its implications. (10marks)