



KISII UNIVERSITY
UNIVERSITY EXAMINATIONS

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

AGEC 0201: MICROECONOMICS II

STREAM: Y2 S1

TIME: 2 HOURS

DAY: FRIDAY, 12:00 – 2:00 P.M.

DATE: 19/04/2024

INSTRUCTIONS

- 1. Do not write anything on this question paper.*
- 2. Section A is compulsory and answer any TWO questions in Section B.*

SECTION A (30MKS)

QUESTION ONE

- Explain the determinants of individual demand using the concept of utility. (10marks)
- Define the Law of Diminishing Marginal Utility and explain its implications for individual consumer behavior. (10marks)
- Discuss the concept of consumer surplus and producer surplus and how they relate to market efficiency. (10marks)

QUESTION TWO

- Illustrate and explain the effects of changes in demand and supply on a market equilibrium. (10marks)
- Given a utility function, derive an individual's demand curve and the income and substitution effects of a price change. (10marks)

QUESTION THREE

- Differentiate between total, average, and marginal product in the short run production process. (10marks)

b) Analyze the impact of entry and exit on firms in monopolistic competition and the implications for long-run equilibrium. (10marks)

QUESTION FOUR

a) Compare and contrast perfect competition and monopoly market structures, including their characteristics, pricing behavior, and efficiency outcomes. (10marks)

b) Explain the relationships between costs (total, average, and marginal) and production in the short run and the long run. (10marks)

QUESTION FOUR

a) Describe the concept of externalities and discuss the possible solutions to mitigate negative externalities. (10marks)

b) Explain the rationale for government intervention in situations of monopolies and discuss the various measures that can be used to regulate them. (10marks)