



"Investing in Africa's Future"

COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

NMEC 201: INTERMEDIATE MICROECONOMICS

END OF FIRST SEMESTER EXAMINATIONS

NOVEMBER 2021

LECTURER: MR G MANDEWO

INSTRUCTIONS

Answer one Question. Total possible mark is 100.

Start each question on a new page in your answer booklet.

The marks allocated to each question are shown at the end of the question.

Credit will be awarded for logical, systematic and neat presentations.

1. The budget constraint captures all the information about prices and income. In the context of static analysis illustrate the budget constraint and discuss how it captures the options at the disposal of a consumer. You should introduce dynamic analysis into the budget constraint. In each case you need to suggest the economic intuition behind the changes. Illustrate the effect of introducing taxes and subsidies to the budget. What will happen to the budget constraint if commodities are in short supply and there is rationing? You need to come up with practical life situations. **[100 Marks]**

2. Consumer preferences can be captured using graphs. Appealing to the properties of indifference curves, explain how they capture consumer behaviour. Explain preferences of other goods. You need to be exhaustive in your explanation. You also need to give practical original examples. Of what relevance is the knowledge of consumer preferences to a business person? **[100 Marks]**

3. Determination of the ultimate choice of a bundle is very important. Illustrate how consumers make a choice by appealing to the budget constraint. You are required to determine choices for all kinds of preferences. Justify why the preferences behaviour in that manner. Use concrete examples to illustrate the concepts. Furthermore, introduce taxes. **[100 Marks]**

END OF EXAMINATION
