"Investing in Africa's Future"

COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

NMEC 306: ADVANCED MICROECONOMICS THEORY

END OF FIRST SEMESTER EXAMINATIONS

NOVEMBER 2021

LECTURER: MR MANDEWO

TIME: 5 HOURS

INSTRUCTIONS

Answer one question**.** Total possible mark is **100.**

Start each question on a new page

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

1. There are many axioms of preferences, each axiom is capturing actual consumer behaviours. Outline the axioms of preference and explain how each shape rational human behaviours. Explore the different types of goods and illustrate and explain the related preference relations. For each give concrete examples and economic intuition behind.   **[100 Marks]**

2. What is the ultimate consumer problem? How would you attain maximisation of consumer preferences using both the constrained optimisation and the intuition method? You are required to explain the economic intuition behind each step and the related implications. Use your own concrete examples.   **[100 Marks]**

3. Compensation variation (CV) and equivalent variation (EV) are two critical concepts in consumer theory. You are required to unpack the concepts and explore the effect of exogenous macroeconomic variable to CV and EV. Discuss the effect of changes for different types of goods.   **[100 Marks]**

END OF EXAMINATION