

ECO 425



OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2021 /2022 ACADEMIC YEAR

FOURTH YEAR SECOND SEMESTER REGULAR EXAMINATION

**FOR THE DEGREE OF BACHELOR OF
ECONOMICS**

COURSE CODE: ECO 425

COURSE TITLE: INDUSTRIAL ECONOMICS

DATE: 31/05/2022

TIME: 2pm-5pm

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

REGULAR – MAIN EXAM
ECO 425: INDUSTRIAL ECONOMICS

STREAM: BA ECONOMICS

DURATION: 3 Hours

INSTRUCTIONS TO CANDIDATES

- i. Answer Question **ONE** and any other **TWO** questions.
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.
- iii. Do not write on the question paper.

SECTION A

Question One (30 marks)

- a. Define the following terms
 - i. Industry (2 marks)
 - ii. Merger (2 marks)
 - iii. Market structure (2 marks)
 - iv. Transaction cost (4 marks)
- b. Highlight any five differences between microeconomics and industrial economics (10 marks)
- c. If you were to introduce a new toothpaste brand in your country, how would you go about entering the market? (10mks)
- d. Differentiate between market conduct and market performance (5 marks)

Question Two (20 marks)

Using appropriate figures explain the behaviour of firms operating under perfect competition that lead to zero profits eventually. (20 marks)

Question Three (20 marks)

- i. Explain the concept of efficiency (2 marks)
- ii. Differentiate between technical, economic and allocative efficiency (12 marks)
- iii. Highlight the main motives for all types of diversification (6 marks)

Question Four

- i. Using clear figures, explain the difference between perfect competition and monopolistic competition (10marks)
- ii. Discuss five reasons why most firms undergo mergers (10 marks)

Question Five

- i. Explain the main features of an oligopolistic market structure (10marks)
- ii. Clearly distinguish the following terms: diversification, vertical integration and merger (10 marks)