

MAKERERE UNIVERSITY BUSINESS SCHOOL

BACHELOR OF BUSINESS ADMINISTRATION

ACADEMIC YEAR 2025/2026

COURSE NAME: BUSINESS ECONOMICS

YEAR OF STUDY: ONE

SEMESTER: TWO

INSTRUCTIONS

1. These are questions for discussion
 2. You are encouraged to work in groups
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Questions

- a) Given the following demand and supply function;
 $Q_d = 180 - 3p$ and $Q_s = -20 + 2p$
Where Q_d is quantity demanded and Q_s quantity supplied of bananas in clusters and P is price shillings.
Required;
- i. Compute the Equilibrium quantity and price; illustrate your answer
 - ii. If government fixed the price at 50 shillings, state with reason(s) whether the price set results into minimum or maximum price policy.
 - iii. What is the imbalance resulting from the above price policy?
 - iv. What would be the effect of tax on equilibrium?
- b) In order to influence the welfare of economic agents within a market, authorities can impose either a minimum price or maximum price legislation. While the two legislations cause market disequilibria, they differ in their effects on supply and demand in a market. Use this information to answer questions i-ii.
- i. Using an illustration, explain any two critical differences between a maximum price and a minimum price.
 - ii. Identify the types of market disequilibria caused by each of the price legislations.
- c) In a micro-economy, the economic agents that have interest in resource mobilization and allocation include; consumers, business firms and government. i) Identify the goals and roles of each of these agents.
ii) A production possibility curve (PPC) assumes that technology is used efficiently. With the help of illustrations, show how the PPC explains the concept of scarcity

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