



The Co-operative University of Kenya

SPECIALS AND SUPPLEMENTARY EXAMINATION AUGUST-2019 EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT

UNIT CODE: COCM 1115

UNIT TITLE: INTRODUCTION TO MICRO-ECONOMICS

DATE: 28TH AUGUST, 2019

TIME: 11:30 AM – 1:30 PM

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- (a) Give the demand and supply functions as follows

$$QD = 10 - \frac{3}{4}P$$

$$QS = 15 + 6P$$

- (i) Compute the equilibrium price and quantity of which the market clears. (5 Marks)
- (ii) Describe the main features of the following types of economic systems. Free market economy. (5 Marks)
- (iii) Command economic system. (5 Marks)
- (iv) Define elasticity of demand and briefly explain the importance of the concept of elasticity of demand. (5 Marks)
- (b) Using the law of diminishing marginal utility explain why a demand curve slopes downwards from left to right. (10 Marks)

QUESTION TWO

- (a) Discuss the production possibility curve. Illustrate your answer with a diagram. (10 Marks)
- (b) Differentiate between substitute goods and complementary goods and give appropriate examples. (10 Marks)

QUESTION THREE

- (a) Discuss the meaning of mobility of factors of production. To what extent are these factors mobile? (10 Marks)
- (b) Discuss FIVE determinants of demand. (10 Marks)

QUESTION FOUR

- (a) Define the term indifference curves, with the aid of separate diagrams, illustrate indifferent curves for perfect substitutes and for complementary goods. (20 Marks)

QUESTION FIVE

- (a) State FIVE conditions for a perfect market. (10 Marks)
- (b) Explain briefly the meaning of the following micro economics terms;
- (i) Average cost and marginal cost (2 Marks)
- (ii) Price discrimination (3 Marks)
- (iii) Monopoly (2 Marks)
- (iv) Welfare theory (3 Marks)