

The Co-operative University of Kenya
END OF SEMESTER EXAMINATION AUGUST-2018

EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT

UNIT CODE: CMBA 1104

UNIT TITLE: MICRO-ECONOMICS

DATE: TH AUGUST, 2018

TIME:

INSTRUCTIONS:

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

QUESTION ONE

- (a) Given the demand and supply functions as follows';
 $QD = 20 - 4P$
 $QS = -10 + 6P$
Compute the equilibrium at price and quantity at which the market clears (10 marks)
- (b) Explain what is meant by total, average and marginal cost and relationship between them (10 marks)
- (c) Explain what is usually happens to price elasticity of demand as price falls (10 marks)

QUESTION TWO

- (a) Explain why demand curves slope downwards and discuss factors affecting it (5 marks)
- (b) Identify the factors that affect supply of good (5 marks)
- (c) Explain what is meant by liquidity preference. Discuss the cause and the consequences of an increase in liquidity preference (10 marks)

QUESTION THREE

- (a) Using well labeled graph, explain the concept of market equilibrium (10 marks)
- (b) Distinguish between perfect competition and monopolistic competition (10 marks)

QUESTION FOUR

- (a) Explain what is meant by Oligopoly? Discuss strategies Oligopolistics firm might take
- i. To maintain its market share (10 marks)
 - ii. To increase its market share (10 marks)

QUESTION FIVE

- (a) Explain the importance of mico-economic to an economy (6 marks)
- (b) Define the concept of opportunity cost and explain the how it is used in economics (8 marks)
- (c) Discuss how the price mechanism allocates resources in a free market system (6 marks)