

The Co-operative University of Kenya
END OF SEMESTER EXAMINATION AUGUST-2018
EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT
(YR I SEM II / YR II SEM II / I)

UNIT CODE: COCM 1115

UNIT TITLE: INTRODUCTION TO MICRO-ECONOMICS

DATE: 20TH AUGUST, 2018

TIME: 2:00 PM – 4:00 PM

INSTRUCTIONS:

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

QUESTION ONE

- (a) Given the demand and supply functions as follows
- i. $QD = 10 - \frac{3}{4}P$
 - ii. $QS = 15 + 6P$
- Compute the equilibrium price and quantity of which the market clears (5 marks)
- (b) Describe the main features of the following types of economic systems
- i. Free market economy (5 marks)
 - ii. Command economic system (5 marks)
- (c) Define elasticity of demand and briefly explain the importance of the concept of elasticity of demand (5 marks)
- (d) 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 complimentary 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 indifference 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)