



Murang'a University College

(A Constituent College of Jomo Kenyatta University of Technology)

DIPLOMA IN CO-OPERATIVE MANAGEMENT 13D

END OF STAGE EXAMS

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

Date; 9th dec.2013

time allowed is 2 hours

QUESTION ONE

Write short notes on the following fundamental concepts:

- (a) Scarcity and Choice (5 marks)
- a) Opportunity cost (5 marks)
- b) Production possibility frontier (5 marks)
- d) Positive and normative economics (5 marks)

- e) Using specific examples, explain 'Ceteris Paribus' as used in economics (6 marks)
- f) Why is the consumer said to be sovereign (4 marks)

(Total: 30 marks)

QUESTION TWO

- (a)
 - (i) Outline the major differences between quantity and the Keynesian Liquidity preference theories of money demand. (5 marks)
 - (ii) If money supply in a given economy equals 500 while the velocity and price equal 8 and 2 respectively, determine the level of real and nominal output. (3 marks)
- (b) What factors determine the rate of interest in an economy? (6 marks)
- (c) Discuss some of the consequential economic impacts of high and rising rate of interest. (6 marks)

(Total: 20 marks)

QUESTION THREE

- a) Clearly explain the distinction between supply, demand and equilibrium price. (8 marks)
- b) State and briefly explain any four main factors that may cause a fall in the supply of a good in the market. (4 marks)

c) The table below shows the demand and supply schedules for a product.

Price (Sh. Per Kg.)	Demand (Kg)	Supply (Kg.)
10	100	20
20	85	36
30	70	53
40	55	70
50	40	87
60	25	103
70	10	120

Required: Plot the demand and supply curves and determine the equilibrium price and quantity (8 marks)

(Total: 20 marks)

QUESTION FOUR

- a) Define inflation. (2 marks)
 - b) What are the major causes of inflation? (10 marks)
 - c) Explain the economic effects of a high rate of inflation. (8 marks)
- (Total: 20 marks)**
- a) What are factors of production? (6 marks)
 - (b) Explain the meaning of mobility of factors of production. To what extent are factors of production mobile. (7 marks)
 - (c) (i) State the aspects of significance of factor mobility (3 marks)
 - (ii) What policy recommendations would you suggest to reduce regional development imbalances if any in developing countries? (4 marks)
- (Total: 20 marks)**

QUESTION FIVE

- a) What are factors of production? (6 marks)
 - (b) Explain the meaning of mobility of factors of production. To what extent are factors of production mobile. (7 marks)
 - (c) (i) State the aspects of significance of factor mobility (3 marks)
 - (ii) What policy recommendations would you suggest to reduce regional development imbalances if any in developing countries? (4 marks)
- (Total: 20 marks)**