

MICRO ECONOMICS
TRIAL TEST (1:30 MINS)
ATTEMPT ALL NUMBERS

(EACH NUMBER CARRIES 25 MARKS)

QUESTION ONE

- a) State the law of diminishing marginal utility.
- b) Explain the relationship between diminishing marginal utility and demand curve.
- c) What is meant by resale price maintenance.
- d) State any (4) merits of resale price maintenance.

QUESTION TWO

- a) Distinguish between Elasticity of demand and price elasticity of demand.
- b) Discuss the limitations of micro economics
- c) Define cross elasticity of demand.
- d) From the figures below. Calculate the cross elasticity of demand for a commodity and state the type of commodities of X and Y.

P _y	Shs. 100	Shs.150
D _x	50 kg	90 kg

QUESTION THREE

- a) What is meant by the term ‘Opportunity cost’.
- b) Why is the concept of choice important in economics.
- c) Explain the relationship between scarcity, choice, and Opportunity cost.
- d) State (5) factors that may lead to an inward shift of a PPF curve.

QUESTION FOUR

- a) Distinguish between a change in demand and a change in quantity demanded of a commodity.
- b) State (8) factors that may cause a change in demand of a commodity.
- c) Differentiate between Derived demand and Composite demand.
- d) Why is mixed economy preferred to other economies.

“SUCCESS COMES TO ONLY THOSE WHO ARE PREPARED”