

## DEMAND AND SUPPLY

1. - Price of the commodity
  - Prices of the other related commodities
  - Future expectation of changes in prices
  - Government policy
  
2.
  - Decrease in cost of inputs
  - Improvement in technology
  - Fall in taxes
  - Increase in government subsidy
  - Future expectation of price increase
  - Favorable weather
  
4. (i) It is a given /inferior good
  - (ii) If the price is expected to fall further in future.
  - (iii) If the fall in price is as a result of fall in quality
  - (iv) If the commodity is getting out of fashion..
  
5. (i) Decrease in consumers income
  - (ii) Unfavourable changes in tastes fashions and preferences of consumers
  - (iii) Unfavourable government policies e.g. increase in taxation
  - (iv) Increase in price of compliments/decrease in price of the commodity
  - (v) Unfavourable terms of sale e.g. short credit periods and lack of discounts
  - (vi) Uneven/unfair distribution of income among consumers
  - (vii) Decrease in the size of the population
  - (viii) Unfavourable seasonal changes
  
6.
  - *Unfavourable weather*
  - *License in the cost of producing cabbage*
  - *Application of poor technology*
  - *Increase competition from other substitutes*

*-A shift in the farmers priority to other things*

*-Unfavourable government policy like increase in subsidies etc. (4x1=4mks)*

7.
  - Presence of close substitutes
  - Habit forming commodities
  - Durable products
  - Necessities
  - If the proportion of income spent on the good is small
  - If it is difficult for consumers to adjust in the short run
  
8.
  - Goods of ostentation
  - Inferior goods
  - Expectation of future shortages
  - Necessities
  - Habitual
  - Necessities
  - Expectation of further increases in prices
  
9.
  - Where goods are of ostentation/ luxurious goods
  - In case of Gifted goods
  - Where goods are necessary
  - Where there is expectation of further increase in prices
  - Where goods are inferior in nature
  - Where goods are habitual
  - Where there is an expectation of future shortages