

ATD LEVEL III

PRINCIPLES OF ECONOMICS Time Allowed: 3 hours. MONDAY: 23 November 2020. ALL questions carry equal marks. Answer any FIVE questions. **QUESTION ONE** (4 marks) Explain four benefits of studying economics. Outline five applications of the law of diminishing marginal utility in decision making. (5 marks) The demand for commodity X in a certain market has gone down. Explain six factors that might have caused the decline. With reference to the theory of production, identity five disadvantages of adopting capital intensive technique of (5 marks) production. (Total: 20 marks) **QUESTION TWO** (a) Distinguish between "price elasticity of demand" and "price elasticity of supply". (4 marks) With reference to decision making, discuss three practical applications of the concept of price elasticity in an (6 marks) economy. The total revenue and total cost function of firm operating under a perfectly competitive market is given below: (c) TR is the total revenue. TC the total cost. Ors the quantity. Required: Determine the profit maximising level of output (Q). Outline six diseconomies of scale to a firm. (Total: 20 marks) Suggest four policy measures that a government might put in place to enhance occupational mobility of labour in an (a) (8 marks) economy. Analyse four factors that determine the demand for labour in an economy. (8 marks) (b) Outline four factors that could lead to decreasing returns to scale in the production process. (4 marks) (c) (Total: 20 marks) AD31 Page 1

Out of 2

1 = 75. G = 20.		C = 150 + 0.75Y.	
Where: C = Consumption expenditure. I = Investment expenditure. G = Government expenditure. Required: The equilibrium level of national income. Outline five challenges associated with the product approach of measuring national income. (5 marks) Outline five challenges associated with the product approach of measuring national income. (5 marks) Outline five challenges associated with the product approach of measuring national income. (6 marks) Outline five disadvantages of duopoly market structure. (10 "Imported inflation" and "administered inflation". (11 "Imported inflation" and "administered inflation". (12 marks) Outline five disadvantages of duopoly market structure. (12 marks) Outline five disadvantages of duopoly market structure. (13 "Imported inflation" and "administered inflation". (2 marks) Outline five disadvantages of duopoly market structure. (2 marks) Outline five disadvantages of duopoly market structure. (3 marks) Outline five disadvantages of duopoly market structure. (4 marks) Outline five disadvantages of duopoly market structure. (2 marks) Outline five disadvantages of duopoly market structure. (2 marks) Outline five disadvantages of duopoly market structure. (4 marks) Outline five disadvantages of duopoly market structure. (5 marks) Outline five disadvantages of duopoly market structure. (6 marks) Outline five disadvantages of duopoly market structure. (6 marks) Outline five disadvantages of duopoly market structure. (6 marks) Outline five disadvantages of duopoly market structure. (6 marks) Outline five control inflation. (6 marks) Outline five disadvantages of duopoly disadvantages of terms: (6 marks) Outline five control inflation. (6 marks) Outline five disadvantages of duopoly disadvantages of terms: (6 marks) Outline five disadvantages of duopoly disadvantages of terms: (6 marks) Outline five disadvantages of duopoly disadvantages of terms: (7 outline five disadvantages of terms: (8 marks) Outline five disadvantages of duopoly disadv		I = 75.	
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