kasneb

ATD LEVEL III

PRINCIPLES OF ECONOMICS

TUESDAY: 26 November 2019.   Time Allowed: 3 hours.

Answer any FIVE questions.   ALL questions carry equal marks.

QUESTION ONE
(a)   Distinguish between "microeconomics" and "macroeconomics".   (4 marks)

(b)   Explain six reasons why government might reintroduce price control mechanism in an economy.   (6 marks)

(c)   Discuss five characteristics of a mixed economic system.   (10 marks)
                                                              (Total: 20 marks)

QUESTION TWO
(a)   Identify five limitations of barter trade.   (5 marks)

(b)   Explain five factors that determine the price elasticity of demand of a commodity.   (5 marks)

(c)   State five applications of indifference curve analysis in an economy.   (5 marks)

(d)   Using a well-labelled diagram, explain the trade off between work and leisure.   (5 marks)
                                                              (Total: 20 marks)

QUESTION THREE
(a)   The demand and supply function of a given commodity are represented by:
              Qd   =   126 – 9p
              Qs   =   18 + 3p

        Where   Qd is the quantity demanded.
                Qs is the quantity supplied.

        Required:
        (i)   The equilibrium price of the commodity.   (3 marks)

        (ii)   The equilibrium quantity of the commodity.   (2 marks)

(b) .   Using a well labelled diagram, explain the relationship between the long run and short run average cost curves.
                                                              (5 marks)

(c)   State four assumptions of the law of diminishing returns.   (4 marks)

(d)   Explain three reasons why the demand curve slopes downwards.   (6 marks)
                                                              (Total: 20 marks)

QUESTION FOUR

(a)   Outline four causes of cost push inflation.   (4 marks)

(b)   Explain the impact of inflation on the following:

      (i)   Consumers.   (2 marks)

      (ii)   Creditors.   (2 marks)

      (iii)   Savings.   (2 marks)

(c)   Distinguish between "absolute advantage" and "comparative advantage" as applied in international trade.   (4 marks)

(d)   Analyse six corrective measures that developing countries might institute to reduce persistent deficits in their balance
      of payment account.   (6 marks)
                                                                                                                                (Total: 20 marks)

QUESTION FIVE

(a)   Identify four characteristics of money as a medium of exchange.   (4 marks)

(b)   Discuss three reasons why individuals hold money according to John M. Keynes.   (6 marks)

(c)   Explain ten challenges faced by economic planners in developing countries.   (10 marks)
                                                                                                                                (Total: 20 marks)

QUESTION SIX

(a)   Summarise five roles of non bank financial institutions in an economy.   (5 marks)

(b)   Explain five factors that determine the efficiency of labour as a factor of production.   (5 marks)

(c)   Discuss five reasons why it is necessary to estimate the national income of a country.   (10 marks)
                                                                                                                                (Total: 20 marks)

QUESTION SEVEN

(a)   Distinguish between "economic growth" and "economic development".   (4 marks)

(b)   Highlight seven factors that could contribute to low economic growth rate in most developing countries.   (7 marks)

(c)   Using a well labelled diagram, explain the phenomenon of vicious cycle of poverty.   (4 marks)

(d)   Summarise five policy measures that could be implemented to combat poverty in developing countries.   (5 marks)
                                                                                                                                (Total: 20 marks)

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