

1901/205, 1902/205
1903/205, 1906/205, 1907/205
1909/205, 1923/205, 1924/205
ECONOMICS
November 2016
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

**CRAFT CERTIFICATE IN SECRETARIAL STUDIES
CRAFT CERTIFICATE IN SALES AND MARKETING
CRAFT CERTIFICATE IN SUPPLY CHAIN MANAGEMENT
CRAFT CERTIFICATE IN BUSINESS MANAGEMENT
CRAFT CERTIFICATE IN CO-OPERATIVE MANAGEMENT
CRAFT CERTIFICATE IN ROAD TRANSPORT MANAGEMENT
CRAFT CERTIFICATE IN CLERICAL OPERATIONS
CRAFT CERTIFICATE IN INVESTMENT MANAGEMENT**

MODULE II

ECONOMICS

3 hours

INSTRUCTIONS TO CANDIDATES

*This paper consists of **TWO** sections; **A** and **B**.*

*Answer **ALL** the questions in Section **A** and any **FOUR** questions from section **B** in the answer booklet provided.*

Candidates should answer the questions in English.

This paper consists of 3 printed pages.

Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.

SECTION A (32 marks)

Answer ALL the questions in this section.

1. Human wants have certain characteristics. Highlight **four** such characteristics. (4 marks)
2. Explain **four** advantages of labour specialization to an organization. (4 marks)
3. Outline **two** measures that a government may take in order to stabilize prices of farm produce. (2 marks)
4. Individuals hold money for different motives. State **three** such motives. (3 marks)
5. State **three** types of foreign investment that a country can attract. (3 marks)
6. Outline **three** methods of trade restrictions that a country can adopt. (3 marks)
7. Highlight **three** components of money supply. (3 marks)
8. Country X intends to measure its national income. Outline **three** methods that the country can adopt in carrying out the exercise. (3 marks)
9. State **three** causes of structural unemployment in a country. (3 marks)
10. Highlight **four** characteristics of money as a medium of exchange. (4 marks)

SECTION B (68 marks)

Answer any FOUR questions from this section.

11. (a) There are certain decisions that a producer needs to make as a result of the economic problem of scarcity of resources. Explain **four** such decisions. (8 marks)
- (b) Country X has recently imposed a higher rate of direct taxation on its citizens. Explain **six** limitations of such a high level of taxation. (9 marks)

12. (a) Most of the less developed countries experience high levels of unemployment. Explain **six** causes of such levels of unemployment. (8 marks)
- (b) A country's size of national income is influenced by certain factors. Explain **six** such factors. (9 marks)
13. (a) The management of Tingler Company Ltd intends to institute measures to enhance the industrial relations with its employees. Explain **four** such measures. (8 marks)
- (b) Elasticity of demand for a product is influenced by certain factors. Explain such factors. (9 marks)
14. (a) Zipler an IT firm intends to employ people with highly specialized skills. Explain **four** problems that the firm may experience from employing such workers. (8 marks)
- (b) The central bank in a country is expected to perform certain functions. Explain **six** such functions. (9 marks)
15. (a) Hannah recently established her own sole-proprietorship business. Explain **six** advantages of such a form of business organization. (9 marks)
- (b) Country Y intends to impose import restrictions. Explain **four** reasons that may account for this move. (8 marks)

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