

2901/104    2906/105  
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**ECONOMICS**  
**November 2017**  
**Time: 3 hours**



**THE KENYA NATIONAL EXAMINATIONS COUNCIL**

**DIPLOMA IN SECRETARIAL STUDIES**  
**DIPLOMA IN SALES AND MARKETING**  
**DIPLOMA IN SUPPLY CHAIN MANAGEMENT**  
**DIPLOMA IN BUSINESS MANAGEMENT**  
**DIPLOMA IN CO-OPERATIVE MANAGEMENT**  
**DIPLOMA IN ROAD TRANSPORT MANAGEMENT**  
**DIPLOMA IN INVESTMENT MANAGEMENT**  
**DIPLOMA IN HUMAN RESOURCE MANAGEMENT**

**MODULE I**

**ECONOMICS**

**3 hours**

**INSTRUCTIONS TO CANDIDATES**

*This paper consists of SEVEN questions.*  
*Answer any FIVE questions in the answer booklet provided.*  
*All questions carry equal marks.*  
*Candidates should answer the questions in English.*

**This paper consists of 2 printed pages.**

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

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1. (a) There are certain production related decisions that a firm needs to make as a result of scarcity of resources. Outline **four** such decisions. (8 marks)
- (b) Country X has lately experienced a dramatic increase in the number of private cars on its roads. Explain **six** factors that might have led to such an increase in the demand for private cars. (12 marks)
2. (a) There are certain barriers that limit the geographical mobility of labour. Outline **five** such barriers. (10 marks)
- (b) Explain **five** merits of raising government revenue through indirect taxes. (10 marks)
3. (a) It is common for workers in different occupations to earn different wages. Explain **five** factors that may account for such wage differentials. (10 marks)
- (b) There are certain inefficiencies that may be associated with free market economic system. Highlight **five** such inefficiencies. (10 marks)
4. (a) Commercial banks perform certain roles in a modern economy. Explain **five** such roles. (10 marks)
- (b) Describe **five** types of elasticity of supply for a commodity. (10 marks)
5. (a) Developing countries have certain common features that define them. Highlight **six** such features. (12 marks)
- (b) Country Y recently liberalized the prices of a wide range of consumer goods that were previously under government control. Explain **four** possible effects of such price liberalization. (8 marks)
6. (a) Describe **five** types of internal economies that a firm may enjoy from its own growth. (10 marks)
- (b) Many developing countries find it necessary to put restrictions on their trade relations with other countries. Outline **five** reasons that may account for such restrictions. (10 marks)
7. (a) Explain **five** uses to which a country may put its national income statistics. (10 marks)
- (b) Explain **five** reasons that would make a government to tax its citizens. (10 marks)

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