

2901/104 2908/305  
2902/105 2909/105  
2903/105 2924/105  
2906/105 2926/105  
2907/105

**ECONOMICS**  
**November 2018**  
**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 COOPERATIVE MANAGEMENT**  
**DIPLOMA IN ROAD TRANSPORT MANAGEMENT**  
**DIPLOMA IN HUMAN RESOURCE MANAGEMENT**  
**DIPLOMA IN INVESTMENT 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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**Turn over**

1. (a) Outline **five** ways in which the concept of scarcity of resources is of significance to a country. (10 marks)
- (b) Describe **five** different types of price elasticities of demand. (10 marks)
2. (a) Agricultural products normally have a low elasticity of supply. Outline **five** reasons that may account for this situation. (10 marks)
- (b) The price for imported cars in country Y has recently gone up. Explain **five** factors that may account for the increase in price. (10 marks)
3. (a) Specialization of labour as a factor of production has certain limitations. Highlight **five** of these limitations. (10 marks)
- (b) Describe **five** forms of internal economies of scale in a firm. (10 marks)
4. (a) Explain **five** limitations of monopoly as a form of market structure. (10 marks)
- (b) There are certain problems that may be associated with the income approach of measuring national income. Highlight **five** such problems. (10 marks)
5. (a) Explain **five** limitations of barter trade as a form of exchange. (10 marks)
- (b) There are certain principles that govern a good taxation system. Outline **five** such principles. (10 marks)
6. (a) Country X has in the recent past been experiencing demand pull inflation. Explain **five** causes of such inflation. (10 marks)
- (b) Many developing countries experience persistent balance of payments deficits. Explain **five** measures that could be taken to reduce such deficits. (10 marks)
7. (a) Country Y has lately been experiencing a high rate of increase in its population growth. Explain **five** factors that could contribute to such a high increase. (10 marks)
- (b) Explain **five** measures that a country could adopt to influence investment decisions in an effort to spur economic growth. (10 marks)

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