



kasneb

ATD LEVEL III

PRINCIPLES OF ECONOMICS

MONDAY: 23 November 2020.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

QUESTION ONE

- (a) Explain four benefits of studying economics. (4 marks)
- (b) Outline five applications of the law of diminishing marginal utility in decision making. (5 marks)
- (c) The demand for commodity X in a certain market has gone down.
Explain six factors that might have caused the decline. (6 marks)
- (d) With reference to the theory of production, identify five disadvantages of adopting capital intensive technique of production. (5 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Distinguish between “price elasticity of demand” and “price elasticity of supply”. (4 marks)
- (b) With reference to decision making, discuss three practical applications of the concept of price elasticity in an economy. (6 marks)
- (c) The total revenue and total cost function of a firm operating under a perfectly competitive market is given below:

$$TR = 42Q - 0.5Q^2$$

$$TC = 40Q - 120Q + 150$$

Where: TR is the total revenue.
TC is the total cost.
Q is the quantity.

Required:

- Determine the profit maximising level of output (Q). (4 marks)
- (d) Outline six diseconomies of scale to a firm. (6 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Suggest four policy measures that a government might put in place to enhance occupational mobility of labour in an economy. (8 marks)
- (b) Analyse four factors that determine the demand for labour in an economy. (8 marks)
- (c) Outline four factors that could lead to decreasing returns to scale in the production process. (4 marks)

(Total: 20 marks)

