

2901/104      2907/105  
2902/105      2909/105  
2903/105      2924/109  
2906/105  
ECONOMICS  
July 2016  
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 TRANSPORT MANAGEMENT  
DIPLOMA IN INVESTMENTS  
MODULE I**

**ECONOMICS**

**3 hours**

**INSTRUCTIONS TO CANDIDATES**

*This paper consists of SEVEN questions.*

*Answer any FOUR 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.**

1. (a) There are certain qualities that a commodity should possess for it to serve effectively as money. Describe these qualities. (12 marks)
- (b) Country X calculates its national income as net national product at factor cost. Highlight the adjustment that should be made to make the income gross domestic product at market prices. (8 marks)
2. (a) Some countries in a certain region intend to form an economic bloc. Explain the benefits that may accrue to the countries from this move. (12 marks)
- (b) Explain the monetary measures that a government may take to control a high rate of inflation on the country. (8 marks)
3. (a) It is usual for most governments to prepare their annual budgets on a regular basis. Explain the reasons that may account for this practice. (12 marks)
- (b) With the aid of a diagram, explain the effect of the government fixing the maximum price of a commodity below the equilibrium price. (8 marks)
4. (a) Describe the steps that should be followed in converting a supply schedule into a supply curve. (10 marks)
- (b) There are certain assumptions that form the basis of the operations of the monopoly as a market structure. Outline these assumptions. (10 marks)
5. (a) Outline the indicators that should be considered in assessing the economic development of a country. (10 marks)
- (b) Country Y has adopted the market economic system. Highlight the benefits that may accrue to the country from this move. (10 marks)
6. (a) Explain the factors that may determine the efficiency of labour as a factor of production. (10 marks)
- (b) There are certain factors that determine the rate of population growth in a country. Explain these factors. (10 marks)
7. (a) Outline the possible negative consequences of the continued expansion and growth of a firm. (10 marks)
- (b) Explain the factors that may determine the price elasticity of demand for a commodity. (10 marks)

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