

1. (a) Explain the factors that would influence a firm to charge a high price for its product. (10 marks)
- (b) Explain the ways in which an entrepreneur may increase the productivity of land as a factor of production in agriculture. (10 marks)
2. (a) With the aid of a diagram, explain how a firm under perfect competition operates at optimal capacity in the long run. (12 marks)
- (b) There is limited use of credit cards in the rural areas of Kenya. Explain the factors that may account for the limited use. (8 marks)
3. (a) The director of the revenue authorities in country X recommended an increase in the rate of taxation in the country. Explain the reasons that may have influenced the director to make the recommendations. (10 marks)
- (b) Highlight the conditions under which a country may encourage an increase in the growth rate of its population. (10 marks)
4. (a) Country Y has been experiencing a persistently high rate of inflation. Outline the non-monetary measures that the country could take to reduce the inflation. (10 marks)
- (b) Explain the ways in which a monopoly firm may be of benefit to consumers. (10 marks)
5. (a) Although country X has been experiencing a high growth rate in its Gross National Product the poverty levels in the country have been increasing. Explain the factors that may account for this anomaly. (10 marks)
- (b) Explain the ways in which advances in technology may lead to economic growth. (10 marks)
6. (a) Most manufacturers are opting to locate their plants in the outskirts of the main urban centres away from the already established industrial areas. Explain the reasons for such a move. (10 marks)
- (b) The rate of industrial growth in Kenya has been relatively low. Explain the factors that may account for this situation. (10 marks)
7. (a) Explain the ways in which a country would benefit from engaging in free International trader. (12 marks)
- (b) Describe the functions of money in an economy. (8 marks)