

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

ECONOMICS

July 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 ROAD TRANSPORT MANAGEMENT
DIPLOMA IN INVESTMENT
DIPLOMA IN CO-OPERATIVE 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.

1. (a) There are certain functions that commercial banks perform for business enterprises. Outline these functions. (10 marks)
- (b) One of the possible structure that a market can assume is the perfect competition. Describe the features of this market structure. (10 marks)
2. (a) With the aid of a diagram, describe the effect of a shift in the demand curve of a commodity on its equilibrium price. (8 marks)
- (b) Many developing countries experience high levels of unemployment. Explain the causes of such high levels of unemployment. (12 marks)
3. (a) Explain the different types of elasticity of supply. (10 marks)
- (b) There are certain limitations associated with the use of national income figures for making comparisons on the economic performance of different countries. Highlight these limitations. (10 marks)
4. (a) There are certain factors that may determine the consumption function in a country. Explain these factors. (10 marks)
- (b) Country Z has been experiencing a persistent balance of payment deficits. Explain the measures that the country could take to alleviate the problem. (10 marks)
5. (a) Land as a factor of production possesses certain characteristics. Outline these characteristics. (10 marks)
- (b) There are certain economic goals that most developing countries seek to attain. Highlight these goals. (10 marks)
6. (a) There are certain principles that a good tax system in a country should uphold. Explain these principles. (10 marks)
- (b) Explain the factors that may determine the prices of agricultural products in a country. (10 marks)
7. (a) There are certain conditions that make it ideal for countries in a region to engage in economic integration. Explain these conditions. (10 marks)
- (b) Country Y has been experiencing rising levels of inflation in the recent past. Explain the consequences of such inflation. (10 marks)

THIS IS THE LAST PRINTED PAGE.