

2901/104 2908/305
2902/105 2909/105
2903/105 2924/105
2906/105 2926/105
2907/105
ECONOMICS
July 2019
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 CO-OPERATIVE MANAGEMENT
DIPLOMA IN INVESTMENT
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) Highlight **five** reasons that may make a controlled economic system undesirable by many countries. (10 marks)
- (b) Explain the reasons that make perfect competition difficult to achieve in an economy. (10 marks)
2. (a) Outline **five** functions of an entrepreneur as a factor of production. (10 marks)
- (b) National income statistics have been used to compare standards of living in different countries. Explain **five** limitations of using such statistics. (10 marks)
- * 3. (a) Explain **six** measures that the government may take to control unemployment. (12 marks)
- (b) Explain **four** differences between commercial banks and non-bank financial institutions. (8 marks)
- 4. (a) Increasing the size of an individual firm beyond a certain scale can lead to internal diseconomies of scale. Explain **four** sources of such diseconomies. (8 marks)
- (b) Explain **six** factors that may influence the wages paid to employees in an organization. (12 marks)
- 5. (a) The Kenyan government has in the recent past decontrolled prices of some commodities. Explain the positive effects of such price decontrol. (8 marks)
- (b) Explain **six** monetary measures that may be taken to reduce inflation in a country. (12 marks)
- 6. (a) Explain **five** reasons that may account for an outward shift in the demand curve. (10 marks)
- (b) Certain principles should guide public expenditure. Explain **five** such principles. (10 marks)
- 7. (a) Explain **four** grounds on which progressive tax may be justified. (8 marks)
- (b) Explain **six** factors that determine the elasticity of supply. (12 marks)

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