

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)

THIS IS THE LAST PRINTED PAGE.

2901/104 2906/105 2909/105

2902/105 2907/105 2924/105

2903/105 2908/305 2926/105

July 2019