

KCB DEPARTMENT OF ECONOMICS
MOCK SET I
S.6 ECONOMICS PAPER 1
(P220/1)
TIME: 3 HOURS

Instructions to candidates

- Answer **five** questions only
- Section A is compulsory. Answers to this Section should be concise
- Answer **four** questions from Section B.
- All questions in Section B carry equal marks.
- Any additional question(s) answered will not be marked.
- Credit will be given for use of relevant diagrams.

SECTION A (20 MARKS)

(Answer **all** parts in this Section)

1. (a) (i) Define a “Laissez faire” economy. (01mk)
(ii) Mention any three problems associated with Laissez faire economy. (03mks)
- (b) (i) Differentiate between Average cost and Marginal cost. (02mks)
(ii) State any two ways of reducing average cost by a producer. (02mks)
- (c) (i) Define the term multiplier. (01mk)
(ii) Given that a country’s level of GDP is shs. 750 millions, MPC is 0.75 and the change in investment expenditure is shs. 300 millions. Calculate the final level of income in an economy. (03mks)
- (d) Outline any four problems faced by commercial banks in an economy. (04mks)
- (e) (i) What is meant by the term comprehensive plan? (01mks)

- (ii) Give any three merits of a comprehensive plan in an economy. (03mks)

SECTION B (80 MARKS)

*(Answer any **four** questions in this section)*

2. (a) Distinguish between *price floor* and *price ceiling*. (04mks)
(b) Examine the effects of price controls in an economy. (16mks)
3. (a) What are the features of a monopolistic competitive market. (08mks)
(b) Explain how output, price and profits are determined in a monopolistic competitive markets in:
(i) short run (ii) long run (12mks)
4. (a) Differentiate between standards of living and cost of living. (04mks)
(b) Describe the indicators of low standards of living in an economy. (16mks)
5. (a) Explain the quantity theory of money. (04mks)
(b) What are the limitations of the quantity theory of money? (16mks)
6. (a) Distinguish between *Agricultural transformation* and *Agricultural diversification*. (04mks)
(b) Suggest possible measures that can be adopted to improve the performance of the agricultural sector in an economy. (16mks)
7. (a) Distinguish between a *surplus budget* and a *deficit budget*. (04mks)
(b) Explain the significance of a National budget as a tool of economic analysis. (16mks)

END

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SECTION A (20 MARKS)

1. (a) (i) What is meant by resale price maintenance. (01mk)
- (ii) Give three roles of price in an economy. (03mks)
- (b) (i) What is meant by the term GDP? (01mk)
- (ii) Given marginal propensity to consume is 80% and initial level of GDP is 800,000,000/=. Increase in investment expenditure is 200,000,000/=. Calculate the final level of GDP. (03mks)

- (c) (i) Differentiate between technological transfer and economic dependence. (02mks)
- (ii) Mention two effects of economic dependence in an economy. (02mks)
- (d) (i) Distinguish between privatization and divestiture of public enterprises. (02mks)
- (ii) Mention any two reasons for privatization of public enterprises. (02mks)
- (e) State any four features of Rostow's drive to maturity stage of economic growth. (04mks)

SECTION B (80 MARKS)

- 2. (a) Examine the role of price mechanism in a free enterprise economy. (08mks)
- (b) What are the demerits and merits of price mechanism? (12mks)
- 3. (a) How does a monopoly firm maximize profits in a short run. (06mks)
- (b) Examine the implications of the existence of monopoly in an economy. (14mks)
- 4. (a) Differentiate between labour saving techniques and capital saving techniques of production. (04mks)
- (b) Under what circumstances may capital intensive techniques of production be employed despite the existence of surplus labour. (16mks)
- 5. (a) Explain the theory of comparative cost advantage. (04mks)
- (b) To what extent is the theory applicable in developing economies? (16mks)
- 6. (a) Differentiate between under population and over population. (04mks)
- (b) Examine the effects of an high population growth rate in an economy. (16mks)
- 7. (a) Distinguish between assets and liabilities of commercial banks. (10mks)
- (b) How are commercial banks able to achieve both liquidity and profitability in an economy? (10mks)

END

DEPARTMENT OF ECONOMICS
MOCK SET I
S.6 ECONOMICS PAPER 2
(P220/2)
TIME: 3 HOURS

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SECTION A (20 MARKS)

1. (a) (i) Given that an increase in price of a commodity Q from 150/= to 193/= resulted into a decrease in the quantity demanded of commodity N from 3300kg to 3000kg. Calculate the relevant elasticity of demand. (02mks)
- (ii) How are the two commodities related? Give reason. (02mks)
- (b) (i) Distinguish between disguised unemployment and seasonal unemployment. (02mks)
- (ii) Mention two causes of disguised unemployment in your country. (02mks)
- (c) Mention four features of the informal sector in your country. (04mks)
- (d) (i) Define tax evasion. (01mk)
- (ii) Mention three factors responsible for the low tax revenue in your country. (03mks)
- (e) (i) Distinguish between economic growth and economic development. (02mks)
- (ii) Mention two necessary factors for enhancing economic growth. (02mks)

SECTION B (80 MARKS)

2. (a) Why is national income measured in your country? (08mks)
- (b) Explain the factors determining the level of a country's national income. (12mks)
3. (a) Explain the determinants of wages in your country. (10mks)
- (b) What are the limitations of the marginal productivity theory of wages in your country? (10mks)
4. (a) Explain the Malthusian population trap theory. (06mks)
- (b) To what extent is this theory applicable to your country? (14mks)

5. (a) What are the causes of unfavourable terms of trade in your country? (10mks)
(b) Suggest measures that can be taken to improve the term as of trade in your country. (10mks)
6. (a) Examine the causes of inflation in your country. (10mks)
(b) What policy measures are being taken to control inflation in your country? (10mks)
7. (a) Account for the privatization of public enterprises in your country. (10mks)
(b) What problems have been encountered in the privatization of public enterprises in your country? (10mks)

END

DEPARTMENT OF ECONOMICS

MOCK SET II

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(P220/2)

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SECTION A (20 MARKS)

1. (a) (i) Define the term Price discrimination. (01mks)
(ii) State any three conditions necessary for price discrimination to succeed. (03mks)
- (b) (i) Distinguish between disguised unemployment and fractional unemployment. (02mks)
(ii) State any two solutions to disguised unemployment in your country. (02mks)
- (c) (i) Distinguish between comprehensive planning and partial planning. (02mks)
(ii) State two constraints to economic development planning on your country. (02mks)
- (d) (i) Distinguish between tax base and taxable capacity. (02mks)
(ii) Mention two reasons for the narrow tax base in your country. (02mks)
- (e) (i) Distinguish between a deficit budget and a surplus budget. (02mks)
(ii) Give two ways by which the government can finance a deficit budget. (02mks)

SECTION B (80 MARKS)

2. (a) Explain the causes of price fluctuations of agricultural products in your country. (10mks)
(b) What are the effects of price fluctuations in your country? (10mks)
3. (a) Distinguish between balanced growth and unbalanced growth strategies. (04mks)
(b) Account for the low level of economic development in your country. (16mks)
4. (a) Why should the government carry out population census? (06mks)
(b) Discuss the effects of high population growth rate in your country. (14mks)
5. (a) Distinguish between collective bargaining and wage freeze. (04mks)
(b) Account for the existing wage differences in your country. (16mks)
6. (a) Explain the Keynesian theory of unemployment. (06mks)
(b) To what extent is it relevant to your country? (14mks)
7. (a) Explain the principles of taxation. (08mks)
(b) Explain the merits and demerits of indirect taxes to your country. (12mks)

END