

GHS

**ECONOMICS PAPER 2**

S.5

**TIME 1 HOUR 40 MINUTES**

**July/Aug'09**

Answer *all* questions in **Section A** and *one* question in **Section B**.

**SECTION A**

1. a) i) Give two uses of price in an economy (2 mark)  
ii) State two ways price is determined in your country. (2 marks)
- b) i) State the law of diminishing marginal utility (1 mark)  
ii) Give three limitations of this law mentioned in b i. (3 marks)
- c) i) Distinguish between Private goods and Public goods (2 marks)  
ii) Mention two characteristics of Public goods. (2 marks)
- d) Give four features of Land as a factor of production. (4 marks)
- e) i) State the relationship between Supply price and Economic rent. (2 marks)  
ii) Give two reasons why all the earnings to Land is regarded as Economic rent. (2 marks)
- f) i) A factor earns Shs. 25000= per week. Out of this  $\frac{4}{5}$  is Economic rent. Calculate supply price of the factor. (2 marks)
- g) Give four demerits of a Command economy. (4 marks)
- h) i) What is meant by the ' Transformation curve? (1 mark)  
ii) Give three circumstances under which a Transformation curve may shift inwards from the original position. (3 marks)
- i) i) Define the term 'mobility of labour' (1 marks)  
ii) Give three factors which influence labour mobility in your country. (3 marks)

J) A consumer increases consumption of a commodity x from 20 units to 30 units as a result of an increase in her income level from 100,000 to 250,000 shillings per month.

- i) Calculate the income elasticity of demand for commodity x. (2 marks)
- ii) What is the nature of commodity x and why? (2 marks)

**SECTION B**

- 2 a) Distinguish between price elasticity of demand and cross elasticity of demand (4 marks)
- b) Examine the factors that influence price elasticity of demand for goods in your country. (16 marks)
- 3 a) Why do prices of primary agriculture commodities fluctuate more than those of manufactured goods in your country? (10 marks)
- b) Explain the effects of the fluctuation of prices of primary agricultural products in your country. (10 marks)