

ECONOMICS/paper2

s.6

3 HOURS

Answer five questions in all. Section A is compulsory. Answer four questions from Section B. All questions carry equal marks.

SECTION A(COMPULSORY)

1. a) (i) What is an Optimum firm? (1mark)
- (ii) Using the production table below, draw a well labeled graph (not to scale) and on the graph indicate the optimum of this firm. (03marks)
- | No. of men | Units of output | Average physical product |
|------------|-----------------|--------------------------|
| 1 | 10 | 10 |
| 2 | 30 | 15 |
| 3 | 60 | 20 |
| 4 | 100 | 25 |
| 5 | 120 | 24 |
| 6 | 132 | 22 |
| 7 | 140 | 20 |
| 8 | 150 | 18 |
- b) (i) What is meant by 'subsistence sector'? (01mark)
- (ii) Give three features associated with subsistence production. (03marks)
- (c) (i) What is meant by 'Big push" in development economics? (01marks)
- (ii) Give three limitations of the Big push theory in a developing economy. (03marks)
- (d) Explain the following economic concepts: (04marks)
- (i) Opportunity cost.
- (ii) Consumer sovereignty.
- (e) Explain the following principles: (04marks)
- (i) The Multiplier.
- (ii) The Accelerator.

SECTION B (Choose four questions)

2. (a) For what reasons does a country compile national income statistics? (10marks)
(b) What problems do most developing countries encounter while compiling their national income figures? (10marks)
3. (a) Distinguish between "Internal economies of scale" and "external economies of scale". (04marks)
(b) What factors have tended to limit expansion of industrial firms in your country? (16marks)
4. (a) Why is capital important in the production process? (06marks)
(b) Explain the factors which hinder capital accumulation in your country. (14marks)
5. (a) State and explain the assumptions underlying perfect competition. (06marks)
(b) Using diagrams explain how the level of output is determined in a perfectly competitive market in the short run. (14marks)
6. (a) Distinguish between economic development and economic underdevelopment. (04marks)
(b) Explain the factors that influence the level of development of your country. (16marks)
7. (a) Distinguish between "Average Propensity to Save" and "Marginal Propensity to Save" (04marks)
(b) Explain the factors that lead to low marginal propensity to save in your country. (16marks)