

2405/302
APPLIED ECONOMICS
Oct./Nov. 2016
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

DIPLOMA IN APPLIED STATISTICS

APPLIED ECONOMICS

3 hours

INSTRUCTIONS TO CANDIDATES

- You should have the following for this examination:*
- Answer booklet;*
 - Scientific calculator.*
- This paper consists of EIGHT questions.*
- Answer any FIVE questions in the answer booklet provided.*
- All questions carry equal marks.*
- Maximum marks for each part of a question are as shown.*
- Candidates should answer the questions in English.**

This paper consists of 3 printed pages.

Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.

- (i) Calculate the Gross National Product of this economy using the value added approach.
- (ii) If depreciation and indirect taxes are 8 billion and 7 billion respectively, find the Net Domestic Product at both market prices and factor cost.
- (iii) Distinguish between multiplier and marginal efficiency of capital. (12 marks)

(a) Explain five obstacles to agricultural development in less developed countries. (10 marks)

(b) Describe the following as used in Economics:

- (i) production possibility curve;
- (ii) utility;
- (iii) comparative cost theory;
- (iv) devaluation policy;
- (v) price discrimination.

(10 marks)

(a) (i) Define economies of scale.
(ii) Explain four types of internal economies of scale. (10 marks)

(b) Explain five factors that may hinder economic planning in a developing country. (10 marks)

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Reasons

Deficit because of poor

- 1) low saving savings / investments and poor infrastructure
- 2) low agricultural activities
- 3) natural calamities
- 4) poor human resources
- 5) budget deficits / import - export