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2405/302 APPLIED ECONOMICS Oct./Nov. 2017 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;

Mathematical tables/Scientific calculator.

This paper consists of EIGHT questions.

Answer any FIVE questions.

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.

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Turn over

- 1. (a) (i) Explain five importance of elasticity of demand in decision making.
  - (ii) Outline six effects of price decontrol on an economy. (16 marks)
  - (b) Table 1 shows the data on price per unit and quantity supplied of a certain product.

Table 1

Price per unit (Kshs)	14	12	10	8	6,	3
Quantity supplied (units)	16,000	14,000	10,000	9,000	5,000	0

Calculate the price elasticity of supply if price decreases from Kshs 10 to Ksh 6.

(4 marks)

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Explain five determinants of labour supply in an economy.

(10 marks)

(b) Table 2 shows the data of a national income in trillions of shillings of country 'X'.

Table 2

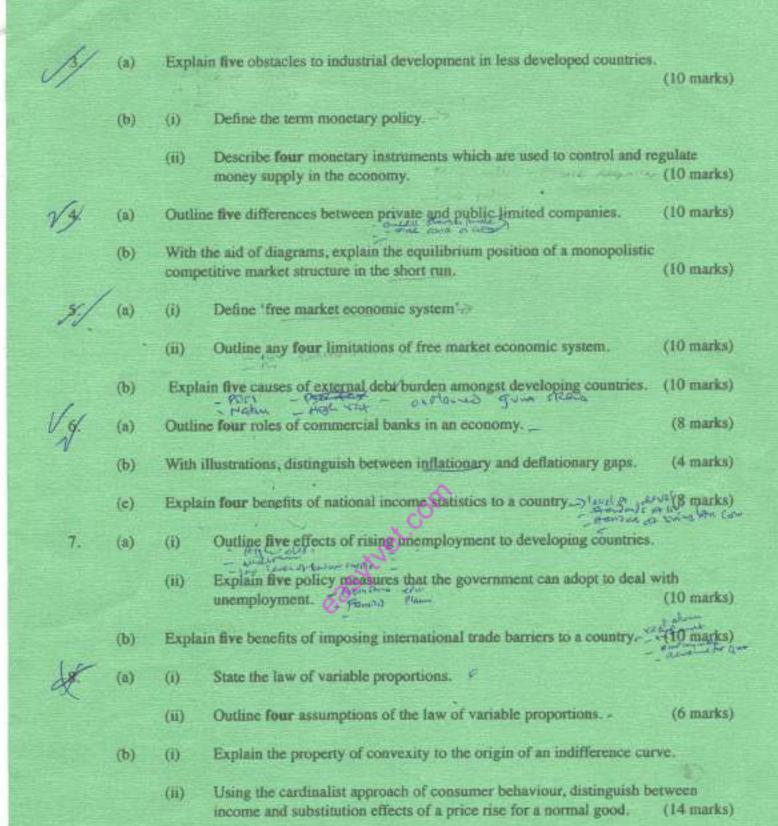
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Gross Domestic Product	6720.8
Transfer payments	88.4
Exports	16.2
Business taxes	20.2
Undistributed profits of companies	12.8
Depreciation allowance	42.6
Personal income taxes	56.8
Imports	18.4
Indirect taxes less subsidies	30,5
Social security contribution	12.4

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## Calculate:

- (i) Gross National Product; -
- (ii) Net National Product;
- (iii) Net National Income at factor cost; ->
- (iv) Personal Income;
- (v) Disposable Personal Income.

(10 marks)



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