

# SAMWASSES SEPTEMBER 2022

## MARKING SCHEME

### ECONOMICS 1.

1. i) He said economics studies “ends” which means unlimited human wants / desires.
- ii) Is a study of “human behavior” as human behaviour seems to be dynamic in nature.
- iii) The study of “scarce means” as he referred to the factors of production which are said to be limited in supply.
- iv) He stressed on “alternative uses” implies that factors of production can have different used eg land for crop cultivation or for construction purpose.
- v) Economics deal with both material and non – material goods as he ignores wealth definition which focused on wealth of the Nations ( Materials thing).

2 marks @ 5 points.

2. (a) Choose of techniques of production depending on the following
  - i) Price of factors
  - ii) Efficiency of a factors
  - iii) Degree of substutability of that factor of production.
  - iv) Government policyAny four (4) points @ 2 marks.

(b) Demand for factors of production.

Is the ability and willingness of employers to employ factor of production at the going market factor price at a specific period of time.

Demand for any factor of production is a derived demand i.e the demand for consumer goods will result in demand for the factor of production to produce consumer goods.

2 marks for good explanation.

3. Reasons for business fluctuation
  - i) Climatic factor (reasons i.e. favorable and (unfavorable climate).
  - ii) Psychological factor/effects i.e optimism and pessimism effects.
  - iii) Technological factor/effects.
  - iv) Monetary reasons /factor
  - v) Changes in social and political factors
  - vi) Changes in the age of capital.
  - vii) Fiscal policy effects/factors

- viii) Changes in Marginal efficiency of capital (MEK)  
2 marks @ 5 points.

4. (a) elasticity of demand is apply by  
i) Government in Taxation (Devaluation policy)  
ii) Businessmen  
iii) To monopolist

( b)The system is price mechanism

- i) Ideal allocation of resources  
ii) Encourages competition  
iii) It balance supply and demand in free market  
iv) It offer freedom of choice to consumers.

Disadvantage,

- i) It may lead to income inequality.  
ii) Unemployment due to free entry and exit.  
iii) It may lead to social cost.

They have to provide 5 points @ 2 marks

Introduction 1 mark

Relevant conclusion 1 mark.

5.

Commodity	Base year 1980			Price	Current year 1987	
	Price (P <sub>0</sub> )	Weight (w)	Value (P <sub>0</sub> w)		Weight (ω)	Value (P <sub>1</sub> ω)
Wheat	2.5	4	<u>10</u>	5	4	20
Rice	5.0	1	<u>5</u>	12.5	1	<u>12.5</u>
Cloth	3.0	3	<u>9</u>	4.5	3	<u>13.5</u>
Sugar	0.20	1	<u>0.20</u>	0.5	1	<u>0.5</u>
Butter	0.40	1	<u>0.40</u>	0.8	1	<u>0.8</u>
Fuel	3.00	2	<u>6.00</u>	4.5	2	<u>9.0</u>
			<u>Σ = 30.60</u>			<u>Σ = 56.3</u>
			2 marks			2 marks

- i) Weighted price index 1987 =  $\frac{P_{1\omega}}{P_{0\omega}} \times 100$

$$= \frac{56.3}{30.6} \times 100$$

$$= 183.9 \text{ or } 184$$

∴ The weighted Price Index of 1987 is 184 units.

ii)  $184 - 100$

84%

This implies that purchasing power of 1987 is 184

So – cost of living has risen by 84%

- Money value has fallen at a rate of 84%
  - Inflation rate has risen at a rate of 84%
- ( 2 marks)

(b) Five benefits of using money in the economy

- i) It helps to store value of goods.
- ii) It helps to measure the value of goods
- iii) It facilitates exchange of goods and services
- iv) Helps in standard of living
- v) Useful in transferring immobile items (o)

2 marks @ 5 points.

6. Introduction of population census (1 mark)

Importance of population census.

- i) Give data for government planning
- ii) Helps to determine the size of working population
- iii) Helps to determine the rate of population growth
- iv) Helps to determine dependency ratio.
- v) Helps to determine literacy and illiteracy rate
- vi) Helpful in allocation of social services.

( 3 marks @ 6 points)

7. Challenges.

- i) Social cost increases
- ii) Difficulties in planning
- iii) Capital outflow
- iv) Unemployment problems

v) Production of essential goods may be ignored.

Any 4 points @ 3 marks total 12.

### **Benefit**

- i) It solved the problem of corruption and embezzlement among government officials.
- ii) It has increased contribution of private sector to the gross domestic product.
- iii) It has reduced the burden of government in managing state owned enterprises

Any 2 points 4 marks @ 3

Sound introduction and relevant conclusions 1 marks.

### 8. Causes of unemployment

- i) Technological changes
- ii) Fall in demand
- iii) Climatic changes
- iv) Education and training
- v) Rural to urban migration
- vi) Monetary and fiscal reasons
- vii) Lack of supplementary activities

Any 6 points 18 marks @ 3 marks

Sound introduction 1 marks

Relevant conclusion 1 marks