

## S5 MEG AND MCE

### ECONOMICS HOLIDAY PACKAGE

#### ALL QUESTIONS ARE COMPULSORY. (40 marks)

1. State whether the following statement are normative or positive / **5 marks**

- i. Price for agricultural products fluctuate frequently
- ii. Price in the markets should be stable
- iii. Unemployment rate should be 4%
- iv. Workers are paid good salaries
- v. Inflation rate should be 5%

2. Match the elements in group A with those of group B / **5 MARKS**

GROUP A	GROUP B
Entrepreneurship	The environmental resources
Free enterprise	The risk taking resources
Capital	Mental and physical efforts of people applied to production of goods and services
Labour	Individuals own business to make profits
Land	Money, building, machinery and equipment

3. State the economic terms which mean the same as the following statement: / **5 marks**

- i. The process of making commodities is .....
  - ii. The process of using commodities is .....
  - iii. The tangible items that satisfy human needs and want is.....
  - iv. Using up of economic resources so that they are not available in the future is.....
  - v. Expenditure on capital goods with an aim of increasing production is.....
4. Use hypothetical data showing the level of national income of the country X in closed economy with government intervention and find the answers. **(5 marks)**
- $C = 50 + 0.8 Y_d$   
 $T = 20\%$

$$I = 100$$

$$G = 30$$

Where ; C = consumption,  $Y_d$  = disposal income, I= investment expenditure and G = government expenditure.

- i. Find national income equilibrium.(2 marks)
- ii. What is the value of tax?(2 marks)
- iii. what is the value of disposal income(2 marks)
- iv. what is the value of consumption (2marks)
- v. what is the value of saving(2marks)
5. What do you understand by:
  - a) Fiat money **(3 marks)**
  - b) Quasi money **(2 marks)**
6. How do the following concepts affect consumption?
  - i. General price level **(2 marks)**
  - ii. Disposal income **(2 marks)**
  - iii. Population size **(2 marks)**
7. Use the appropriate economic terms to fill in the gaps **(5 marks)**
  - a) If two firms in the same line of business merge, it is called .....  
merger
  - b) If two firms at different stages of production merge, it is called .....  
merger
  - c) If two firms in unrelated line of business merge, it is called.....  
merger
  - d) The advantages that a firm enjoys due to long run expansion resulting into a fall in average costs of production is known as .....
  - e) ..... Of a firm is obtained by dividing the change in total revenue by the change in total in product.

