

GHS

ECONOMICS/2

S.5

1 HOUR 45 MIN.

April'09

Section A is compulsory; precise, but concise answers are expected in this section.
Choose two questions from section B.

SECTION A

1. Adam Smith defined economics as “The science of accumulation of wealth” whereas Lord Robbins defined it as “a Science which studies the relationship between ends and scarce means which have alternative uses.”

- a) Explain the meaning of each of the two definitions of Economics. (4marks)
- b) i) Give two reasons why individuals study Economics. (2marks)
- ii) Explain the meaning of the following terms as used in Economics;
- Ceteris paribus.
 - Laissez faire. (2marks)
- c) i) Define Wealth. (1marks)
- ii) Give three characteristics of wealth? (2marks)
- d) i) Distinguish between Resale price maintenance and Reserve price. (2marks)
- ii) Give two determinants of a reserve price. (2marks)
- e) i) State the law of demand. (1marks)
- ii) Give three factors which explain the law of demand. (3marks)
- f) i) What is meant by the term “Production” in economics? (1mark)
- ii) Give three reasons why production is undertaken. (3marks)
- g) i) What are Agents of production? (1mark)
- ii) Name three of the Agents of production (3marks)

- h) Distinguish between Diminishing marginal utility and marginal rate of substitution. (4marks)
- i) i) What is Economic rent? (1marks)
- ii) Give three reasons why all payment to land is regarded economic rent? (3marks)
- j) Given that the price of commodity Y decreased from Shs 15,000 to Shs 10,000 and the quantity demanded of a related commodity Z increased from 200,000 kg to 600,000kg,
i) Calculate the cross elasticity of demand for commodity Z. (4marks)
- ii) State the relationship between commodity X and Y. Give a reason for your answer.

SECTION B (CHOOSE two questions)

2. (a) Distinguish between a Price floor and a price ceiling. (6marks))
- (b) Examine the effects of price legislation in an economy? (12marks)
3. (a) Distinguish between a **Change in demand** and a **change in quantity demanded**. (8 marks)
- (b) What factors may cause a fall in quantity demanded of a commodity in an economy? (12marks)
4. (a) What is meant by the term mobility of factors of production (04marks)
- (b) Explain the factors which cause labour immobility. (16marks)