

**P220/1 ECONOMICS PAPER 1**

**TIME 2 HOURS**

**INSTRUCTIONS**

This paper consists of two Sections A and B

Answer **four** questions only

Section A is compulsory. Answers to this section should be precise

Answer **three** questions from Section B

Credit will be awarded for use of relevant diagram and illustrations

**SECTION A (20 Marks)**

- a i) Define the term reserve price (1 mark)
- ii) State any three determinants of reserve price in an economy (3 marks)
- b i) Distinguish between capital formation and capital appreciation (2 marks)
- ii) Mention any two benefits of capital formation in an economy (2 marks)
- c i) Define the term real demand (1 mark)
- ii) State any three determinants of real demand in an economy (3 marks)
- d Mention any four qualities of good money (4 marks)
- e i) What is a comprehensive plan? (1 mark)
- ii) Give any three demerits of a comprehensive plan (3 marks)

**SECTION B (60 Marks)**

- 2 a) Explain the law of demand (8 marks)
- b) Under what circumstances may a demand curve be regressive? (12 marks)
- 3 a) Explain how an oligopolist determines price, output, and profit in the short-run (6 marks)
- b) Discuss the merits and demerits of oligopoly in an economy (14 marks)
- 4 a) What are the adverse effects of unemployment in an economy (10 marks)
- b) How can unemployment be controlled in an economy? (10 marks)
- 5 a) Explain Irving Fisher's Quantity theory of money (6 marks)
- b) Examine the limitations of Irving Fisher's Quantity theory of money (14 marks)

**THE END**