

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL TWO

ECONOMICS – PAPER 7

THURSDAY, 28 NOVEMBER 2013

INSTRUCTIONS TO CANDIDATES:

1. Time allowed: **3 hours 15 minutes**.
The first 15 minutes of this examination have been designated for reading time. You may not start to write your answer during this time.
2. This examination contains Sections **A** and **B**.
3. Section **A** is bound separately from Section **B**.
4. Attempt all the 20 multiple-choice questions in Section **A**. Each question carries 1 mark.
5. Attempt **four** of the **six** questions in Section **B**. Each question carries 20 marks.
6. Write your answer to each question on a fresh page in your answer booklet.
7. Please, read further instructions on the booklet, before attempting any question.

SECTION B

Attempt four of the six questions in this section.

Question 2

(a) Distinguish between:

(i) market price and equilibrium price.

(4 marks)

(ii) minimum price and maximum price.

(4 marks)

(b) Describe the methods of price determination in your country.

(6 marks)

(c) Explain the uses of prices in your country.

(6 marks)

(Total 20 marks)

Question 3

(a) Explain the factors that determine the growth of a firm in an economy.

(6 marks)

(b) Discuss the merits and demerits of small scale industries in an economy.

(14 marks)

(Total 20 marks)

Question 4

(a) Distinguish between gross domestic product and gross national product.

(4 marks)

(b) Explain the factors that determine the size of a country's gross domestic product.

(16 marks)

(Total 20 marks)

Question 5

(a) Describe the qualities of good money.

(4 marks)

(b) (i) Define the term 'liquidity preference'.

(2 marks)

(ii) Explain the reasons why people demand for money.

(4 marks)

(c) Explain the factors determine the level of liquidity preference in your country.

(10 marks)

(Total 20 marks)

Question 6

- (a) Distinguish between:
- (i) technological and seasonal unemployment. (4 marks)
 - (ii) voluntary and involuntary unemployment. (4 marks)
- (b) Suggest measures that should be taken to increase the level of employment in your country. (12 marks)
- (Total 20 marks)**

Question 7

- (a) (i) Distinguish between protectionism and free trade. (4 marks)
- (ii) Describe the different forms of protectionism. (4 marks)
- (b) Explain the demerits of protectionism in an economy. (12 marks)
- (Total 20 marks)**