Economics 2
0725

LITTORAL ECONOMICS TEACHERS' ASSOCIATION

(LETA)

General Certificate of Education Regional Mock Examination

MARCH 2023 **ADVANCED LEVEL**

Subject Title	**Economics**
Paper No.	**2**
Subject Code No.	**0725**

THREE HOURS

INSTRUCTIONS TO CANDIDATES

Answer FIVE questions, choosing at least two questions from each section. All questions carry equal marks.

You are reminded of the necessity for good English and orderly presentation in your answers.

SECTION A

1	(a)	What are the basic economic principles depicted by the production possibilities curve?	(12mks)
	(b)	Distinguish between the inductive and deductive methodologies used in the making of economic models	(8mks)
2	(a)	With the help of separate diagrams show how an increase in price will affect total revenue when demand is: (i) Fairly inelastic (ii) Fairly elastic	(12mks)
	(b)	Discuss the factors that determine the supply of a good or service	(8mks)
3	(a)	What are the factors that make price discrimination difficult?	(10mks)
	(b)	Explain how price discrimination is beneficial to consumers and producers	(10mks)
4	(a)	With the use of a diagram explain the differences between transfer earnings and economic rent	(8mks)
	(b)	What will be the amount of economic rents earned by a factor when supply is (i) Unit elastic (ii) Perfectly inelastic (iii) Perfectly elastic	(12mks)

SECTION B

5.	(a)	Distinguish between Real National Income and Money National Income	(5mks)
	(b)	Is Real National Income a satisfactory measure of the standard of living?	(15mks)
6.		How can a commercial bank reconcile the objectives of liquidity, profitability and security?	(20mks)
7.	(a)	What are the sources of government revenue?	(8mks)
	(b)	Identify and explain the advantages and disadvantages of the value added tax (V.A.T)	(12mks)
8	(a)	Define the terms of trade and show how it can be favorable or unfavorable.	(12mks)
	(b)	What are the components of the current account in the balance of payments?	(8mks)

END!