

ECONOMICS
SUBJECT 9158
NOVEMBER 2011

PAPER 03

GENERAL COMMENTS

The question paper covered the whole syllabus thus giving candidates a wide choice of questions. There was an improvement in performance of candidates on this paper. Most candidates displayed good knowledge of economic concepts and were able to apply theories to given situations.

COMMENTS ON INDIVIDUAL QUESTIONS

QUESTION 1

This was a very popular question by many candidates. Candidates displayed good knowledge of benefits and costs of a planned economy but failed to meet the real needs of the question. The question required candidates to compare the benefits and costs of a planned and a free market economy.

QUESTION 2

This was one of the most popular questions. Most candidates performed fairly on this question. On part (a) most candidates failed to clearly explain the factors affecting the demand for a product. They gave limited explanation on the factors.

On part (b), candidates displayed good knowledge of the price ceiling and limited knowledge on price floors. They were concentrating on negative effects of price controls ignoring their benefits to society.

QUESTION 3

This was quite a good number attempted the question. On part (a) most candidates were able to explain the factors which lead to survival of small firms.

On part (b) most candidates gave limited discussion of big firms to society. They failed to clearly explain the negative impact of big firms to society.

QUESTION 4

This was a less popular question and was poorly answered by most candidates who attempted it. On part (a) candidates were giving characteristics of both market structures instead of contrasting their long-run positions.

On part (b) most candidates failed to give a detailed discussion of benefits of oligopolistic firms to society.

QUESTION 5

This was a very popular question and was fairly answered by quite a number of candidates. Most candidates were able to explain cyclical unemployment but displayed limited knowledge of residual unemployment.

On part (b) candidates gave limited discussion of measures which can be taken to reduce unemployment.

QUESTION 6

This was a question popularly attempted by candidates but poorly answered by many, most candidates failed to explain how the MRP theory determines wages. Even those who were able to explain the MRP theory failed to apply it to their country and concentrated on other determinants of wages.

QUESTION 7

This was relatively popular question and was fairly answered by many candidates. Most candidates failed to explain the policies in detail. Most of them gave limited or rather implied evaluation on the policies identified.

QUESTION 8

This was a popular question and was fairly answered by many candidates. On part (a) most candidates found it difficult to explain the differences between direct and indirect taxes.

On part (b) most candidates were able to discuss the effects of a significant increase in taxes in their country. Quite a number of candidates were able to identify a given type of tax and its effects.

QUESTION 9

This was a very popular question and was fairly answered by many candidates. On part (a) candidates displayed knowledge of the differences though most of them just gave a formula linking the two concepts.

Part (b) of the question was fairly answered by candidates. Most of them were able to explain the weaknesses of national income statistics ignoring applicability of the statistics.

QUESTION 10

This was a less popular question and was poorly answered by many candidates. On part (a), most candidates failed to clearly explain CBA.

On part (b) assessment of problems encountered when carrying out CBA proved difficult to most candidates. Most candidates performed poorly on this part.

QUESTION 11

This was a less popular question and was fairly answered by many candidates. On part (a) most candidates confused factors influencing the exchange rate regimes.

On part (b) most candidates displayed good knowledge of effects of a fall in the exchange rate.

QUESTION 12

This was the least popular question and was poorly answered by candidates who attempted it. Most responses lacked application and most candidates were explaining fiscal measures taken by government. The question required candidates to take the central bank as a monopoly and explain how it can use monetary tools such as OMO to influence either money supply or the interest rate (piece of money).