



JUNE 2016

ECONOMICS FOR BUSINESS

Instructions to candidates:

- a) Time allowed: Three hours (plus an extra ten minutes' reading time at the start – do not write anything during this time)
 - b) Answer any FIVE questions
 - c) All questions carry equal marks. Marks for each question are shown in []
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- 1. a) Distinguish, with appropriate examples, between primary, secondary and tertiary production. [6]
b) Discuss whether the division of labour brings more benefits than problems to a developed economy. [14]
 - 2. a) Show diagrammatically and explain how a rise in consumer income will affect the demand for a consumer durable product. [8]
b) Discuss any THREE factors (other than consumer income) that may lead to a change in consumer demand for a durable product. [12]
 - 3. a) Explain the concept of the kinked demand curve in oligopoly markets. [10]
b) Discuss the issues of price leadership and non-price competition as aspects of oligopolistic behaviour. [10]
 - 4. a) Outline the rewards that accrue to the four factors of production. [12]
b) Discuss the differences between transfer earnings and economic rent in relation to the factor 'labour'. [8]
 - 5. a) Describe the main macroeconomic objectives of a government. [12]
b) Discuss briefly the role that government plays in the circular flow of income. [8]
 - 6. a) Discuss the main undesirable consequences of rapid inflation. [10]
b) Explain the main differences between demand pull inflation and cost push inflation. [10]
 - 7. a) Outline what you understand by the term '**recession**'. [8]
b) Discuss the courses of action open to a government trying to bring an economy out of recession. [12]
 - 8. a) Define the term '**globalisation**'. [4]
b) Discuss the principle advantages of globalisation for a developing nation. [8]
c) Consider the potential harmful effects of globalisation on a developing nation. [8]