



ICM

JUNE 2017

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 []
-
- 1. a) Describe the economic problem in terms of scarcity, choice and opportunity cost. [10]
b) Explain, with the help of a suitable diagram, the production possibility curve. [10]
 - 2. a) Explain THREE factors which might lead to an increase in demand for a consumer perishable good such as fresh fruit. [12]
b) Using a suitable demand and supply diagram, explain the effects on price and quantity sold of imposing a maximum price below equilibrium for a product. [8]
 - 3. a) Define and explain the market structure known as **monopoly**. [8]
b) Discuss, with business examples, how barriers to market entry may lead to monopoly power. [12]
 - 4. a) Name and briefly discuss the rewards given to EACH of the FOUR factors of production. [12]
b) Using an appropriate diagram, distinguish between economic rent and transfer earnings. [8]
 - 5. a) State and explain the FOUR functions of money. [10]
b) Explain what you understand by the term **interest rate** and discuss how a fall in the general level of interest rates might affect the level of economic activity. [10]
 - 6. a) Describe the main stages of the trade cycle (sometimes termed the business cycle). [10]
b) Outline the FOUR main aims of macroeconomic policy of national governments. [10]
 - 7. Discuss what policies a government might use to bring a country out of recession. [20]
 - 8. a) What are the main features of a multinational enterprise? [10]
b) Discuss why a developing nation may benefit from a partnership with a multinational enterprise. [10]