

PRINCIPLES OF ECONOMICS.

SUPPLEMENTARY EXAM MARKING SCHEME.

QUESTION ONE

- a)
 - i. Scarcity: Less than requirement.
 - ii. Wants: Human desire
 - iii. Choice: Wants greater importance
 - iv. Utility: A commodity that can satisfy human wants
 - v. Opportunity cost: Cost of a foregone alternative.
- b) Free market system is an economic system where there is absence of government intervention.
Characteristics.
The ownership of private property.
Freedom of choice and enterprise.
Self-interest.
Competition.
Price Mechanism.
- c) Free goods and economic goods
Consumer and producer goods
Perishable and durable goods
Material and non-material goods.

QUESTION TWO.

- a) Less elastic demand: A big change in price lead to a little price in demand
More elastic demand: A little change in price lead to a greater price in demand
Inelastic demand: Demand remains the same
Infinite elastic demand: Demand for any commodity is infinite.

QUESTION THREE.

- a) Monopoly: There exist one seller.
Monopolistic: Lies between the extremes of perfect competition and monopoly
Oligopoly: Dominated by a few sellers.
Duopoly: Number of firms are only two and independent.
- b) Enables different factor combinations to be used.
Facilitate the movement of factors from surplus to deficit.
Help economic growth to spread evenly
Enable transfer of expertise.
There is less monotony

QUESTION FOUR.

- a) Cost of production
 - Climatic situation
 - Rate of taxes
 - Number of sellers
 - Prices of resources
 - Taxes
- b) Creeping inflation
 - Moderate inflation
 - Rapid inflation
 - Hyper inflation

QUESTION FIVE.

- i. Medium of exchange
- ii. Measure of value
- iii. Store of value
- iv. Standard of deferred payment
- v. As a unit of account

human wants:

Basic _____

Necessaries for existence.

Necessaries for efficiency

Conventional Necessaries

Secondary.

Comforts

Luxuries.