



ICM

SEPTEMBER 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) Outline reasons why firms may benefit from producing on a large scale. (12)
 - b) 'Firms may increase their size quickly by either horizontal integration or vertical integration.' Explain this statement. [8]
 - 2.
 - a) Explain why suppliers will usually plan to supply more of a product at a higher price. [10]
 - b) Discuss, using a diagram, how the short run average cost curve may be derived from the relationship between fixed and variable costs. [10]
 - 3.
 - a) Describe the essential requirements for the existence of a perfectly competitive market. [10]
 - b) Show diagrammatically and explain the equilibrium position of a perfectly competitive firm in the short period. [10]
 - 4.
 - a) Discuss the main sources of market failure in an economy. [12]
 - b) Explain what a government might do to deal with any ONE source of market failure. [8]
 - 5.
 - a) State and explain the FOUR functions of money. [10]
 - b) Indicate, with examples, what you understand by the term **financial intermediary** and discuss the main purposes of financial intermediation. [10]
 - 6.
 - a) State and explain ONE method that can be used to calculate the national income of a country. [8]
 - b) Explain why national income data may not always be a good indicator of a nation's standard of living:
 - i over a period of time [6]
 - ii relative to another nation [6]
 - 7.
 - a) Outline the main effects on the economy of a period of high inflation. [10]
 - b) Discuss ways in which a government may seek to reduce the rate of inflation. [10]
 - 8.
 - a) State and explain the way in which **tariffs** and **quotas** are used to restrict imports into a country. [10]
 - b) Evaluate the reasons why a government might wish to use protectionist measures such as tariffs. [10]