



STRATHMORE INSTITUTE
DIPLOMA IN INTERNATIONAL RELATIONS
END OF SEMESTER EXAMINATION
DIR 1106: ECONOMICS AND INTERNATIONAL RELATIONS

DATE: 19th August 2019

Time: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.
3. Do not write on the question paper.

QUESTION ONE

- a) Enumerate six factors that could lead to a rightward shift of the supply curve. (6 marks)
- b) Using a diagram for illustration, write short notes on the following:
 - (i) Production possibility frontier; (4 marks)
 - (ii) Income elasticity of demand; (4 marks)
 - (iii) Indifference curves; (4 marks)
- c. Argue the case for and against regional economic integration by developing countries. (12 marks)

QUESTION TWO

- a. List any four characteristics of a perfect competitive market (4 marks)
- b. Give any five reasons why national income statistics is important (5 marks)

c. Answer the following questions using the information for the country X

Consumption	kshs.700
Government Transfer Payments	kshs.100
Depreciation	kshs.200
Interest Income	kshs.150
Exports	kshs.200
Gross Corporate Profits	kshs.180
Labor Income	kshs.380
Taxes less Subsidies	kshs.260
Corporate Retained Earnings	kshs.50
Imports	kshs.230
Personal Income Taxes	kshs.150
Corporate Profit Taxes	kshs.70
Government Spending	kshs.400
Gross Investment	kshs.100
Net Foreign Investment Income	-kshs.15

- a. What is the GDP? (1 mark)
- b. Using the Expenditure approach, what is National Income? (3 marks)
- c. What are the Personal and Disposable Incomes? (2 marks)

QUESTION THREE

- a) Argue the case for and against international trade restrictions among countries. (10 marks)
- b) Using a well labelled diagram, briefly explain the relationship between the average product curve and the marginal product curve of production. (5 marks)

QUESTION FOUR

- a) Outline the negative effects of inflation in an economy. (6 marks)
- b) List four policy measures that could be adopted to curb inflation in an economy. (4 marks)
- c) State the causes of high external debt in developing countries. (5 marks)

QUESTION FIVE

- (a) Briefly explain five characteristics of a free market system. (10 marks)
- (b) Summarize five ways in which government could influence the allocation of resources. (5 marks)