

# NATIONAL INCOME

## MARKING SCHEME

### 1. 2006 Q1a P2

- i) - *Human resources / labour / working population / manpower*
  - A country with skilled / (highly) trained / large manpower can produce quality/quantity goods/services / can generate high income.
  - A country with unskilled / or untrained / small manpower can produce low quality / quantity goods / services can generate low income.
- ii) *Natural resources / land ./ gifts of nature / accept gift of nature*
  - a country endowed with natural resources can produce more good / services / can generate income.
  - A Country not well endowed with natural resources may produce less goods /services / can generate less income.
- iii) *(Level of ) technology*
  - High level of technology may produce low quality / quantity of goods / services / generate high income.
  - Low level of technology may produce low quality / quantity goods / services / generate low income.
- iv) *Capital (equipment) / man – made resources / accept if manmade resources e.g. infrastructure buildings.*
  - Availability of capital / manmade resources (goods) makes production easy / preserves production (resulting in increased natural income) / may generate high income.
  - Lack of capital / or makes production different / reduces production / may generate low income.
- v) *Foreign investment*
  - Investments from abroad may increase natural income to the country / increase production of goods / services / investments abroad may increase national income.
  - Reduction of foreign investment may reduce production of goods / services / income.
- vi) *Good governance / political stability*
  - Production of goods / services / investments / income increase as a result of good governance / political stability creates confidence in investors.
  - Poor governance / political instability reduces savings / investment / damages / investment / reduce incomes / production of goods / services.
- vii) *Culture / entrepreneurship*
  - Culture that encourages hared / work / entrepreneurship reduces production of goods / services / may generate low income.
  - Culture that encourages hard / work / entrepreneurship reduces production of goods / services / may generate low income.

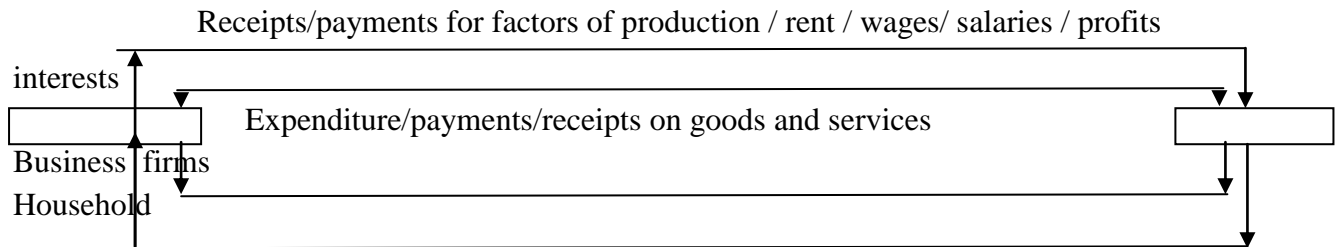
### 2. 2009 Q15 P1

Reasons why an increase in per capita income may not lead to a rise in standard of living include:

- i) Per capita income is an average and hence a mere statistics.
- ii) Per capita figures may be high but income may be unevenly distributed.
- iii) Those not involved in the generation of the national income are also included in the calculation

- iv) Generation rise in the price of commodities! inflation may affect the purchasing power of the citizen.
- v) High taxes may erode the real value of per capita income.
- vi) May be obtained through a strain on people's health.
- vii) Expenditure pattern by the government / Individual serving debts.

**3. 2009 Q4a P2**



- Finished goods and services
- provision of factors of production / land / labour / capital/entrepreneurship
- House holds supply their resources (factors of provision) to various types of businesses and receive payments on the form of rent, wages and profit
- On the other hand, businesses sell finished products to household and households pay for the goods and services received.

The destruction must be shown

**4. 2010 Q12 P1**

Factors that may influence the level of national income include:

- i) Availability of natural resources/natural endowment
- ii) Availability of skilled labour force/quality availability of skills
- iii) Literacy levels of the citizens in general
- iv) Level of county's industrialization
- v) Dependency ratio on the economically active portion of the population
- vi) Level of technology
- vii) Population size (quantity of labour)
- viii) Entrepreneurial culture/level of investment/trade
- x) Political stability
- xi) Social cultural
- xii) Infrastructure
- xiii) Security

(4 x 1 = 4mks)

**5. 2012 Q16 P1**

- a) Deciding on what goods and services to include in measuring national income.
- b) Inadequate output data
- c) Some activities earning income are considered illegal and not included in the measurement of national income.
- d) Determining the value of national output/ due to change in prices.
- e) How to value output in the subsistence sector.
- f) Deciding on the price to use for the goods that have been kept as stock.
- g) Possibility of double counting / differentiate primary input from intermediate input
- h) Problem of valuing government output as they are not sold in the market.

(4 marks)