

**Economics II**

**018**

1/11/ 2013

2pm - 5pm

REPUBLIC OF RWANDA



RWANDA EDUCATION BOARD

ADVANCED LEVEL NATIONAL EXAMINATIONS 2013

SUBJECT : ECONOMICS

PAPER 2 : APPLICATION OF BASIC PRINCIPLES OF ECONOMICS

COMBINATION(S): HISTORY- ECONOMICS-GEOGRAPHY : HEG

HISTORY- ECONOMICS-LITERATURE : HEL

LITERATURE- ECONOMICS-GEOGRAPHY : LEG

MATHEMATICS-ECONOMICS-GEOGRAPHY: MEG

MATHEMATICS-COMPUTER SCIENCE-ECONOMICS: MCE

PHYSICS-ECONOMICS-MATHEMATICS: PEM

DURATION : 3 HOURS

**INSTRUCTIONS:**

1. Do not open this question paper until you are told to do so.
2. This paper consists of **TWO** sections **A** and **B**.

Section A: This section is compulsory. (55 marks)

Section B: Answer **any THREE** questions. (45 marks)

3. Use only blue pen.

**SECTION A: ATTEMPT ALL QUESTIONS (55 marks)**

1. a) What do you understand by an Economic good? **(1 mark)**  
b) Give the characteristics of “economic goods”. **(3marks)**
2. a) What do we call “goods of first order”? **(1 mark)**  
b) Why are they called “goods of first order”? **(1 mark)**
3. a) When is equilibrium in the market attained? **(1 mark)**  
b) Give any three situations characteristic of an economy in general equilibrium. **(3 marks)**
4. A certain woman always buys tomatoes in Nyabugogo market for her restaurant. Last year she spent 2,500 Rwf per 5kgs per day. With the shortage of tomatoes this year; she spent 3,000 Rwf for 40kgs.
- a) Calculate the price elasticity of demand for tomatoes in Nyabugogo market. **(2 marks)**
- b) Using graphical representation, draw a demand curve for the tomatoes in Nyabugogo market. **(2 marks)**
- c) Explain the importance of knowledge of the concept of elasticity before government fixes taxation policy. **(3 marks)**
5. a) What do you understand by “excess capacity” of a firm? **(1 mark)**  
b) Describe any five causes of excess capacity of a firm. **(5 marks)**
6. a) What is meant by the term “monopoly”? **(1 mark)**  
b) Outline any four advantages of monopoly. **(4 marks)**  
c) Explain any four measures of controlling monopoly. **(4 marks)**
7. a) Outline two measures the government of Rwanda can use to control fluctuations in the rate of currency exchange. **(2 marks)**

8. What are the reasons behind the following macroeconomic stabilization policies?

a) Monetary policy.

**(2 marks)**

b) Fiscal policy

**(3 marks)**

9. a) Define the following:

i. Inflationary gap

**(1 mark)**

ii. Deflationary gap

**(1 mark)**

b) Suggest any three policies to close each one of the above gaps. **(6 marks)**

10. a) What do you understand by macro level planning?

**(2 marks)**

b) What does the planning process involve?

**(6 marks)**

**Section B: ATTEMPT THREE QUESTIONS ONLY (45 marks)**

11. a) What is meant by the term "dualism"?

**(2 marks)**

b) In what ways can the Rwanda economy be independent?

**(6 marks)**

c) Suggest any seven possible policy measures to reduce poverty in Rwanda.

**(7 marks)**

12. a) Discuss any seven obstacles to agricultural development in Rwanda.

**(7 marks)**

b) Outline the steps that are being taken by the Rwanda government to improve the agricultural sector.

**(8 marks)**

13. a) What is a trade union?

**(2 marks)**

b) Outline any five functions of a trade union?

**(5 marks)**

c) Discuss any eight conditions under which trade unions may demand for higher wages?

**(8 marks)**

14. a) Give any five characteristics of developed countries. **(5 marks)**

b) Discuss any ten ways that can be used to increase economic growth in your country. **(10 marks)**

15. a) Rural-urban migration is a common phenomenon in developing countries. What are the likely causes of this phenomenon? **(5 marks)**

b) Suggest any five measures that should be adopted by developing countries to reduce rural –urban migration. **(5 marks)**

c) Explain any five disadvantages of rural –urban migration. **(5 marks)**