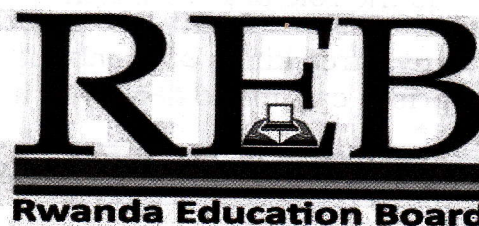


# ECONOMICS I

## 017

31/10/ 2014

8.30AM – 11.30AM



## ADVANCED LEVEL NATIONAL EXAMINATIONS, 2014

**SUBJECT : ECONOMICS**

**PAPER I : BASIC PRINCIPLES OF ECONOMICS**



**COMBINATIONS : 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. Write your names and index number on the answer booklet as written on your registration form, and **DO NOT** write your names and index number on additional answer sheets of paper if provided.
2. Do not open this question paper until you are told to do so.
3. This paper consists of **TWO** sections **A** and **B**.

**Section A:** This section is compulsory.

**(55 marks)**

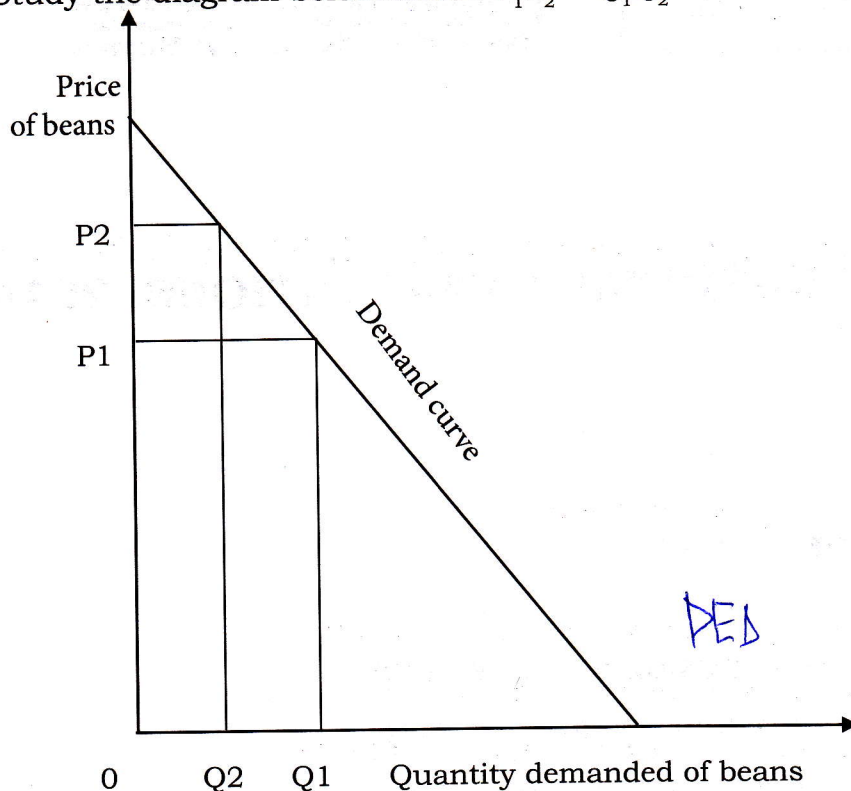
**Section B:** Answer **any THREE** questions.

**(45 marks)**

4. Use blue or black pen.

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

1. a) What is the role of government in a mixed economy? **(3marks)**  
 b) Give any three kinds of economic issues on which private individuals or enterprises can make decisions in a mixed economy. **(3marks)**
2. Study the diagram below where  $P_1P_2 > Q_1Q_2$  and answer the questions that follow.



- a) What does the diagram above show? **(1mark)**  
 b) What is the type of elasticity in the above figure? Explain your answer. **(2marks)**  
 c) If you were the supplier of beans in this situation, what would you do to maximize your profit? **(2marks)**
3. a) Explain how savings reduce the flow of income in an economy. **(1mark)**  
 b) How does government inject income from taxes back into the circular flow of income? **(2marks)**
4. a) What are treasury bills? **(1mark)**  
 b) Give any three reasons why people buy treasury bills? **(3marks)**
5. a) Define the term "Exchange rate". **(1mark)**  
 b) Distinguish between a fixed exchange rate and a floating exchange rate. **(2marks)**  
 c) Show any three advantages of a floating exchange rate. **(3marks)**
6. a) The following are principles for effective planning, explain them. **(1mark)**  
 i) Consistency **(1mark)**  
 ii) Compatibility **(1mark)**  
 iii) Sequencing **(1mark)**  
 b) Give any four characteristics of a good plan. **(4marks)**

7. a) Differentiate between the following :
- i) Economies of scale and diseconomies of scale. **(2marks)**
  - ii) Internal diseconomies and external diseconomies. **(2marks)**
- b) Explain how the following internal economies of scale arise.
- i) Technical economies **(2marks)**
  - ii) Marketing economies **(2marks)**
8. a) What is value added tax? **(1mark)**
- b) What are the advantages of value added tax. **(4marks)**
- c) Give and explain any four reasons as to why government expenditure is ever expanding. **(4marks)**
9. a) What are the causes of the following types of inflation?
- i) Wage push inflation **(1mark)**
  - ii) Imported inflation **(1mark)**
  - iii) Demand pull inflation **(1mark)**
- b) Give any five arguments in favour of inflation in any economy. **(4marks)**



**SECTION B: ATTEMPT ANY THREE QUESTIONS ONLY. (45MARKS )**

10. a) What is meant by efficiency of labour? **(2marks)**
- b) What should be done to make workers more productive? **(10marks)**
- c) Discuss any three features of an entrepreneur as a factor of production. **(3marks)**
11. a) Differentiate between residual unemployment and mass unemployment. **(4marks)**
- b) Explain why unemployment is dangerous within any economy. **(11marks)**
12. a) What are the obstacles against the development of the industrial sector in Rwanda? **(8marks)**
- b) Suggest the policies that can be adopted by the Government of Rwanda to improve the country's industrial sector. **(7marks)**
13. a) Define :
- i) Optimum population. **(1mark)**
  - ii) Dependency ratio **(1mark)**

b) What are the factors that lead to an increase in population? **(6marks)**

c) Suggest any seven measures that should be taken to avoid over-population. **(7marks)**

14. a) Distinguish between intensive and extensive farming. **(4marks)**

b) Explain the advantages of large-scale farming. **(11marks)**

