

**Economics II**

**018**

**16 Nov.2012**

**2 pm - 5 pm**

**REPUBLIC OF RWANDA**



**RWANDA EDUCATION BOARD (REB)**

**ADVANCED LEVEL NATIONAL EXAMINATIONS 2012**

**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:**

This paper consists of **TWO** sections **A** and **B**.

Section A: Answer **ALL** questions.

**(55 marks)**

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

**SECTION A - ATTEMPT ALL QUESTION (55 marks)**

1. i. Distinguish between "need" and want". (2 marks)  
ii. Show the relationship between opportunity cost and choice. (2 marks)
2. a) Explain the effect of the following on price : (3 marks)  
i. Demand  
ii. Supply  
iii. Competition  
b) How are decisions made in a market economy? (1 mark)
3. a) i. Define an entrepreneur. (1 mark)  
ii. Describe any three functions of an entrepreneur. (3 marks)  
b) i. Distinguish between a partnership and a public limited company. (2 marks)  
ii. Mention any two advantages of a sole proprietor. (2 marks)
4. a) i. What is National income? (1 mark)  
ii. Give any three reasons to explain why National income compilation is important in any Economy. (3 marks)  
b) Discuss any three problems faced by developing countries while compiling National income statistics. (3 marks)
5. a) Describe any three factors which determine money supply in an economy. (3 marks)  
b) Discuss any four positive effects which an increase in money supply has on an economy. (4 marks)
6. a) Differentiate between Creeping inflation and run-away inflation. (2 marks)  
b) Give any three policy instruments for controlling inflation in your country. (3 marks)
7. a) i. What is the meaning of a Government budget? (1 mark)  
ii. Mention any three objectives of a Government budget. (3 marks)  
b) Differentiate between income tax and consumption tax. (2 marks)

8. a) Distinguish between favorable terms of trade and favorable balance of trade. (2 marks)
- ✓ b) Give three reasons to explain whether favorable terms of trade imply favorable balance of trade. (3 marks)
9. a) i. What is meant by the term underdevelopment? (2 marks)  
 ii. Outline any three characteristics of underdevelopment. (3 marks)
10. a) What is optimum population? (1 mark)  
 b) Give and explain three policies which can be used to reduce population growth in your country. (3 marks)

**SECTION B: ATTEMPT ANY THREE QUESTIONS/45 MARKS**

11. a) i. What is monetary policy? (2 marks)  
 ✓ ii. What are the main objectives of monetary policy? (2 marks)  
 ✓ b) Explain how monetary policy can influence interest rate. (2 marks)  
 c) Explain the monetary policy tools used in your country. (9 marks)
12. a) i. What is export promotion? (1 mark)  
 ii. Explain why developing countries adopt an export promotion industrial development strategy. (10 marks)  
 b) Outline any four disadvantages of infant industries. (4 marks)
- ✗ 13. a) What are trade unions? (1 mark)  
 b) Explain any four functions of trade unions. (4 marks)  
 c) Under what conditions may trade unions demand for higher wages? (10 marks)

- Group 1 → 14. a) Describe <sup>the general</sup> two characteristics of developing countries. (2 marks)
- Group 2 → b) Discuss any eight obstacles to rapid economic growth in developing countries. (8 marks)
- Group 2 → c) Suggest any five policy measures which can be adopted in order to reduce poverty in developing countries. (5 marks)

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15. a) What five contributions has the private sector made to the economic development of your country? **(5 marks)**
- b) Account for the weakness of the private sector in Rwanda. **(5 marks)**
- c) i. Give three reasons to explain why education is an investment. **(3 marks)**
- ii. Explain why education is considered as an infrastructure in the economy. **(2 marks)**