Economics I
030
04 Nov. 2010   8.30 -11.30 am

ADVANCED LEVEL NATIONAL EXAMINATION 2010

SUBJECT: ECONOMICS

PAPER I: BASIC PRINCIPLES OF ECONOMICS

COMBINATIONS: -   HISTORY-ECONOMICS-GEOGRAPHY: HEG
-   MATHS-ECONOMICS-GEOGRAPHY: MEG
-   MATHS-COMPUTER SCIENCE-ECONOMICS:MCE
-   HISTORY-ECONOMICS-LITERATURE:HEL

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)

INTRODUCTION

"SUCCESS IS THE SUM OF SMALL EFFORTS, REPEATED DAY IN AND DAY OUT"

Teachers and parents need to guide children on question approach and revision of their note books both during holidays and school days.

This workbook helps learners to access well prepared **REB** past paper questions with answers at the back and through getting exposed to them, they incidentally learn ahead or more than what they have covered.

Through daily practice of the language or subject, by trying out different exercises, **the learner becomes aware of different techniques used by examiners while setting examinations.** This booklet provides all time activities for the learners both at home and at school. This can also improve on the learner and teacher interaction through asking ways of answering certain questions.

"...IT IS NOT HOW GOOD YOU ARE, IT IS HOW GOOD YOU WANT TO BE."

HABIGENA EUGENE

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SECTION A - Answer ALL the questions. (55 marks)

1. (a) What is meant by consumer sovereignty? **(1 mark)**
   (b) State any four determinants of aggregate demand **(4 marks)**

2. (a) Explain how factors of production are rewarded. **(3 marks)**
   (b) Given that a factor of production receives transfer earning of 4,000,000 RWF and its economic rent is twice its transfer earnings.
   Required: Calculate the factor's actual earnings. **(2 marks)**

3. (a) Distinguish between localization and delocalization of industries. **(2 marks)**
   (b) State three advantages of localization of industries in your country. **(3 marks)**

4. (a) Define income elasticity of demand. **(1 mark)**
   (b) When the income of a consumer increased from 12000 RWF to 18,000 RWF, the quantity demanded of commodity X changed from 350kg to 420 kg per day.
   Required: (i) Calculate the income elasticity of demand. **(3 marks)**
   (ii) What type of commodity is X? **(1 mark)**

5. (a) What are the main features of perfect competition? **(3 marks)**
   (b) How are profits maximized in the long-run under perfect competition? Illustrate your answer. **(2 marks)**

6. (a) State three factors that determine the size of a country's national Income. **(3 marks)**
   (b) Study the table below which shows items of national income accounts and answer the following questions.

Elements of National Income Accounts	US$ Billions
Consumption	85
Investment	6
Government Expenditure	47
Imports	12
Exports	9

Required:
   (i) Calculate the current equilibrium level of national income. **(1 mark)**
   (ii) Calculate the total amount of injections (Domestic revenue). **(1 mark)**

7. (a) Differentiate between economic growth and economic development. **(2 marks)**
   (b) Explain why economic growth may not be necessarily accompanied by economic development. **(3 marks)**