

Economics II

31

04 Nov.2010 14h00 - 17h00

RWANDA NATIONAL EXAMINATIONS COUNCIL



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ADVANCED LEVEL NATIONAL EXAMINATIONS 2010

SUBJECT: ECONOMICS

PAPER II: APPLICATION OF BASIC PRINCIPLES OF ECONOMICS

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

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 - Answer ALL the questions. (55 marks)

1. (a) what is meant by industrial dualism? (2 marks)
 (b) State three features of an economy which has attained the drive to maturity stage of economic growth. (3 marks)
2. (a) Define the term multiplier? (1 mark)
 (b) Given that the MPC is 0.6, calculate the multiplier magnitude. (1 mark)
 (c) State three determinants of aggregate consumption in an economy. (3 marks)
243. a) Differentiate between labor intensive and capital intensive techniques of production. (2 marks)
 (b) Explain the advantages of using capital intensive techniques of production. (3 marks)
4. (a) what is a trade union? (2 marks)
 (b) Explain the functions of trade unions. (3 marks)
1775. a) Distinguish between involuntary unemployment and disguised unemployment. (2 marks)
 232 (b) Explain why most developing countries have found it increasingly difficult to solve unemployment problems. (3 marks)
6. (a) What is deflation? (1 mark)
 (b) State four negative effects of deflation in an economy. (2 marks)
 (c) Outline four stages of a trade cycle. (2 marks)
7. (a) Define the term "invisible export". (1 mark)
 (b) Study the table below showing the terms of trade for country A from 2005 to 2009 and answer the questions that follow.

Year	Country's Export price index	Country's Import price index	Terms of trade
2005	100	100	100
2006	146	108	
2007	128	117	
2008	133	148	
2009	158	174	

- Required:**
- (i) Calculate the terms of trade for the years from 2005-2009. (2 marks)
 (ii) Did the country experience favorable or unfavorable terms of trade in 2007? Give a comment. (2 marks)
8. (a) Define the term "credit creation" (1 mark)
 232 (b) Explain the role of non-banking financial institutions in Rwanda. (4 marks)
9. (a) Distinguish between horizontal equity and vertical equity of a tax. (2 marks)
 (b) Outline various sources of government revenues. (3 marks)

10. (a) What are "Special Drawing Rights" (SDR)? (1 mark)
 139 (b) State any four structural adjustment conditional ties of IMF that your country has implemented. (4 marks)
- 96 11. (a) What is a national debt? (2 marks)
 (b) Explain any three causes of a national debt. (3 marks)

SECTION B: Answer only 3 questions of your choice (45 marks)

912. (a) What is current expenditure? (1 mark)
 914 (b) Discuss the role of infrastructures in economic development of your country. (10 marks)
 (c) State the factors necessary for enhancing economic development of your country. (4 marks).
13. (a) Study the table below showing a country's price index and answer the questions that follow:

Items in kg	Average price 2004 (in RWF)	Simple price index 2004	Average price for 2006 (in RWF)	Simple price index 2006	Weight	Weighted Index for 2006
Ground nuts	800	100	8600	-	12	-
Banana	1400	100	2800	-	14	-
Irish Potatoes	120	100	400	-	20	-
Meat	1500	100	1600	-	9	-
Beans	450	100	800	-	10	-

- (i) Calculate the simple price index for 2006. (3 marks)
 80 (ii) Calculate the weighted index for 2006. (3 marks)
- (b) Examine the problems encountered in the compilation of price index. (9 marks)
14. (a) what is meant by the term "Agricultural modernization"? (1 mark)
 (b) Discuss the role of agricultural co-operatives in developing countries. (10 marks)
 (c) Explain the land reform policies which are necessary in your country to increase agricultural productivity. (4 marks)
15. (a) Consider the view that gains from international trade are biased in favour of advanced industrialized countries. (10 marks)
 (b) Identify negative consequences of rural urban migration in your country. (5 marks)
16. (a) Account for the balance of payment disequilibrium in developing countries. (8 marks)
 (b) Suggest the policy measures could be taken to solve the balance of payment problems in LDCS. (7 marks)