

**Economics II**

**018**

23/11/ 2017 2 PM - 5 PM



**ADVANCED LEVEL NATIONAL EXAMINATIONS 2017**

**SUBJECT : ECONOMICS**

**PAPER II : 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. Write your names and index number on your answer booklet as they appear on your registration form and **DO NOT** write your names and index number on additional 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:** Attempt all questions. **(55 marks)**

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

4. Use only a **blue** or **black** pen.

- 9. Explain four disadvantages of time-rates as one of the systems of worker payment. (4marks)
- 10. What would be the hindrances for the success of the privatization process? (6marks)

**SECTION B: Attempt only three questions (45marks)**

- 11. a) Give reasons to explain why one firm can make abnormal profits while another makes losses yet both are operating under conditions of perfect competition. (5marks)
- b) Discuss the functions of profits in any economic system? (10marks)
  
- 12. a) Explain why compilation of national income statistics is very important in any Economy? (11marks)
- b) Account for any four problems encountered by developing countries while compiling National income statistics. (4marks)
  
- 13. a) Explain how the following could lead to inflation:
  - (i) Poor transport network. (2marks)
  - (ii) Insecurity. (2marks)
  - (iii) High taxes. (2marks)
- b) Discuss any four measures that could be taken by the government to reduce structural inflation. (9marks)
  
- 14. a) Discuss any four reasons why unemployment and rural urban migration are considered as two "twin evils"? (5marks)
- b) Suggest any five solutions to rural urban migration in Rwanda. (10marks)
  
- 15. a) Briefly explain the "theory of big push" as a theory of economic development. (5marks)
- b) Account for any five advantages of the "big push theory" as a strategy of economic development. (10marks)

**SECTION A: Attempt all questions (55marks)**

1. a) Explain how the amount of commodities demanded by individuals or society is influenced by:
  - (i) Income distribution. (1mark)
  - (ii) Quantity of money supply. (1mark)
  - (iii) Taxation level on goods. (1mark) 6
- b) Identify any three consequences of maximum price. (3marks)
  
2. Show the importance of knowledge of "elasticity of supply" to the Government of Rwanda. (6marks) 4
  
3. a) Differentiate between Real Flow and Money Flow. (2marks)
- b) Show the interdependent relationship between households and firms in real flow. (3marks) 2
  
4. Explain the factors that determine the amount of money held for the transaction motive. (5marks) 4
  
5. The table given below shows the price change of beans in T market for years 2010 and 2011.

	Year 2010	2011
Price in FRW /kg	400	500

- a) Calculate the percentage change in the price of beans between the two years. (1mark)
- b) What does the answer found in 5.a) above mean? (1mark)
- c) Assuming that during this period the prices of most agricultural products have the same percentage change. How is this economic situation called? (1mark)
- d) Suggest any three measures the government can take to deal with the shortage of beans in the country. (3marks) 3
  
6. Discuss any five disadvantages of indirect tax. (5marks) 5
  
7. Explain any six policies that developing countries can design to improve their terms of trade in the international market. (6marks) 6
  
8. Suppose that you are the Minister of Finance and Planning of your country, what will be your development objectives for the country? (6marks) 4

$$\frac{500 - 400}{400} \times 100 = \frac{100 \times 100}{400} = \frac{10000}{400}$$