

ECONOMICS I

017

27/07/2023 8:30 AM - 11:30 AM



ADVANCED LEVEL NATIONAL EXAMINATIONS, 2022-2023

SUBJECT: ECONOMICS I

PAPER I: BASIC PRINCIPLES OF ECONOMICS

COMBINATIONS:

- HISTORY-ECONOMICS- GEOGRAPHY (**HEG**)
- HISTORY-ECONOMICS- LITERATURE IN ENGLISH (**HEL**)
- MATHEMATICS -ECONOMICS- GEOGRAPHY (**MEG**)
- LITERATURE IN ENGLISH-ECONOMICS- GEOGRAPHY (**LEG**)
- MATHEMATICS-COMPUTER SCIENCE-ECONOMICS (**MCE**)

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 answer sheets 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) Candidates must give explanations with relevant examples where necessary.
- 5) Use only a **blue** or **black** pen.

SECTION A: ATTEMPT ALL QUESTIONS. (55 marks)

1) Choose the correct answer.

(4 marks)

- a) In a subsistence economic system resources are allocated by:
 - i) Private sector.
 - ii) Traditional and customary institutions.
 - iii) The government on behalf of its Citizens.
 - iv) Both government and private individuals.
- b) Consumer sovereignty in a free enterprise economy implies that:
 - i) The consumer can take commodities without paying for them.
 - ii) The consumer has a right to destroy the commodity in front of the producer.
 - iii) The consumer has the capacity to influence the productive decisions of the producers.
 - iv) Consumers are individualistic.
- c) In a centrally planned economy, there is, except
 - i) Ownership and allocation of resources by the government.
 - ii) Price determination by the government.
 - iii) Decision of what to produce and how to produce it is made by the people.
 - iv) Private individuals are allowed to own some resources.
- d) Which of the following doesn't characterize mixed economies?
 - i) No consumer exploitation due to government intervention.
 - ii) Public goods are ignored in the economy.
 - iii) Government controls prices set by private individuals.
 - iv) Equal distribution of resources.

2) Match the following types of markets with their respective definitions.

(4 marks)

i) Money markets	a) is where contracts for delivery at some future date are traced.
ii) Capital markets	b) is the market where currencies are traded due to international trade.
iii) Foreign exchange	c) These are financial markets which deal in short term loans.
iv) Future market	d) These are financial markets in which medium loans, long-term loans and securities are trade.

- 3) Use appropriate economic terms to fill in the gaps. **(5 marks)**
- If two firms in the same line of business merge , it is called.....merger.
 - If two firms at different stages of production merge, it is calledmerger.
 - If two firms in unrelated line of business merge, it is called.....merger.
 - The advantages that a firm enjoys due to long run expansion resulting into a fall in average costs of production is known as.....
 -of the firm is obtained by dividing the change in total revenue by the change in total product.

4) Study the table below and answer the questions that follow.

Country	Resources	Maize (tons)	Sugar (tons)
Rwanda	5,000	20,000	15,000
Tanzania	5,000	15,000	5,000

- Calculate the comparative advantage of the two countries. **(3 marks)**
- State the commodity that each of the two countries should concentrate on by producing it for consumption and exchange. **(2 marks)**

5) The table below shows the quantities of mangoes demanded at various prices in the market by consumers **A** and **B**.

Price (FRW)	Quantity demanded by individual A (in kg)	Quantity demanded by individual B (in kg)	Market demand (in kg)
1500	10	18	
1550	7	17	
1600	6	16	
1650	5	15	
1800	4	12	
1900	2	6	

- Calculate the market demand for mangoes at all price levels in the market. **(3 marks)**
- Illustrate the information in the market demand with its respective prices on a curve. **(3 marks)**

- 6) Define the following terms:
- a) Gross Domestic Product (GDP). **(2 marks)**
 - b) Per capita income. **(2 marks)**
 - c) Personal income. **(2 marks)**
- 7) Explain any five determinants of demand for labour. **(5 marks)**
- 8) a) What is meant by taxation? **(1 mark)**
 b) Explain the effect of taxation on:
- i) Saving. **(2 marks)**
 - ii) Physical investment. **(2 marks)**
- 9) a) What is unemployment? **(1 mark)**
 b) Describe the problem of voluntary unemployment. **(4 marks)**
- 10) Suppose you are an entrepreneur and your business is making profits. Explain two ways in which your profit will contribute to economic development of your country. **(5 marks)**
- 11) Analyse the following as causes of maintaining small scale firms alongside the large scale ones: **(5 marks)**
- a) Fear of rising costs.
 - b) Market limitation.

SECTION B: ATTEMPT ANY THREE QUESTIONS. (45 marks)

- 12) a) Distinguish between import quota and import duty. **(2 marks)**
 b) Analyse the impact of commercial policy on an economy. **(13 marks)**
- 13) Assess the effects of increased money supply in an economy. **(15 marks)**
- 14) a) **B** is a developing African country. **B** like any other developing countries has relied on aid for most of her development programs. Identify the dangers that are likely to result from overdependence on aid. **(8 marks)**
 b) Evaluate why it is beneficial for developed countries to give assistance to developing countries. **(7 marks)**
- 15) After the occurrence of COVID 19, Rwanda like other African countries is experiencing persistent increase in prices of most of the commodities.
- a) Name the macroeconomic condition that Rwanda is experiencing. **(1 mark)**
 - b) Advise the ministry of finance and Economic planning of Rwanda on the policies that should be put in place to overcome this macroeconomic problem. **(14 marks)**
- 16) Suggest different measures that our country could undertake to overcome the problem of Economic underdevelopment. **(15 marks)**

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