

# ECONOMICS 1

## MARKING GUIDE

SECTION A (20 marks).

1 a) (i) Given  $\Theta\Delta = 150 - 2p$  }  
 $\Theta\Delta = 170 + 3p$  }  $\frac{1}{2}$  mark

Solution

At equation  $\Theta\Delta = \Theta_s$  - - -  $\frac{1}{2}$  mark

$$150 - 2p = 170 + 3p$$

$$170 + 70 = 3p + 2p$$

$$\frac{220}{5} = \frac{5p}{5}$$

$$p = 45 - - - 01 \text{ mark}$$

Quantity,  $\Theta\Delta = 150 - 2p$  whereby  $p = 45$

$$\Theta = 150 - 2(45)$$

$$= 150 - 90$$

$$\Theta = 60$$

Hence, Market price is 45 and Quantity is 60 units - - - 01 mark

ii. If the government fix 30 Tsh. There will be shortage

$$\text{New } \Theta\Delta = 150 - 2(30) \quad \text{New } \Theta_s = 170 + 3(30)$$

$$\Theta\Delta = 150 - 60$$

$$\Theta\Delta = 90$$

$$= 170 + 90$$

$$\Theta_s = 260$$

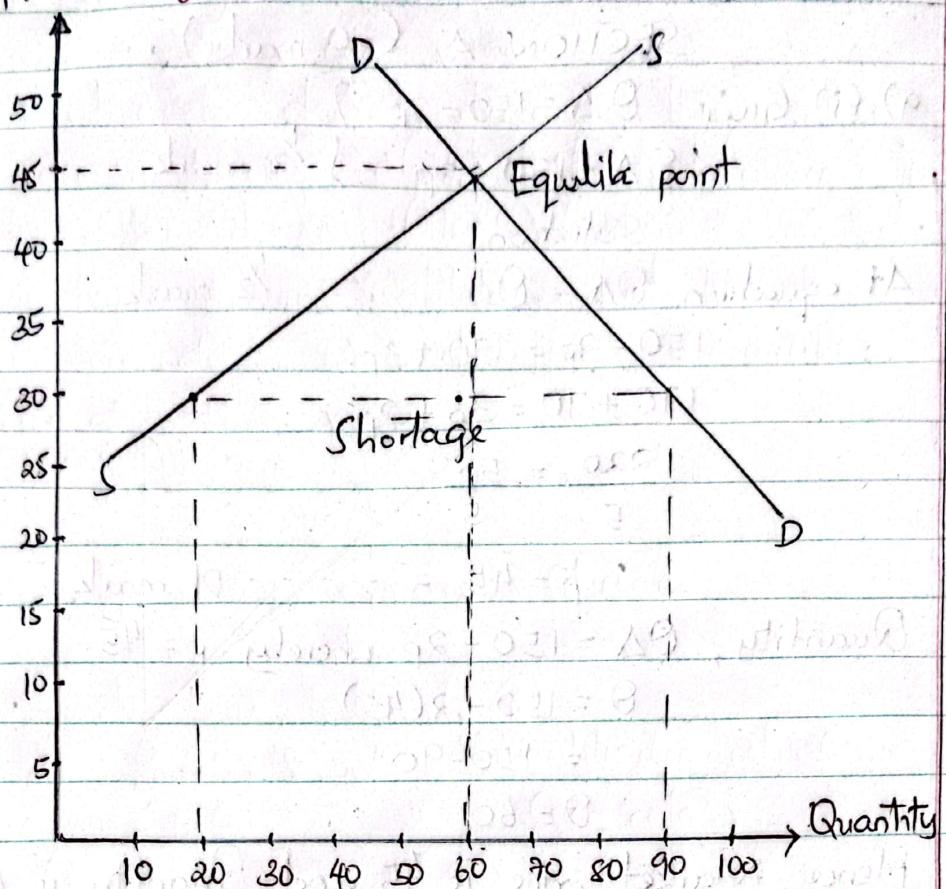
Solution  $\Theta_s = \Theta\Delta$

$$260 = 90$$

$$\therefore \text{Shortage} = 260 - 90$$

02 marks

iii. 03 marks



b) The following are the other effects of the action taken by the government:

- i. Increase in quantity demanded from 60 to 90 units due to the decrease in price which increase purchasing power of consumers.
- ii. The rise of social unrest, demonstration by producers as they claim to the government on the low market price.
- iii. It may lead to rationing as the government may impose limit to consumer on quantity demanded due to shortage.
- iv. Government will be forced to bring the price back to the equilibrium.

@ 1/2 mark = 02 marks

U.B.N COOPERATION

0624254757

2. How economic systems are differ.
- i. They are differ in terms of ownership of major means of production (ownership of resources).
  - ii. They are differ in terms of decision making on what, how, where and for whom to produce.
  - iii. They are differ in terms of allocation of scarce resource.
  - iv. They are differ on how government intervenes.
  - v. They are differ in determination of price in the market.
  - vi. They differ in production relationship as some are antagonistic relation has classes and exploitation while others are non antagonistic.
  - vii. Economic motive. Economic system differs in motive as some are profit oriented but socialist are for the improvement of people welfare.
  - viii. Labour relationship. Economic system differs in the freedom as enterprises as some system labour are commodity that can be sold and bought where a labour see beneficial but others labour stand as public property.

Any five points @ 02 marks = 10 marks

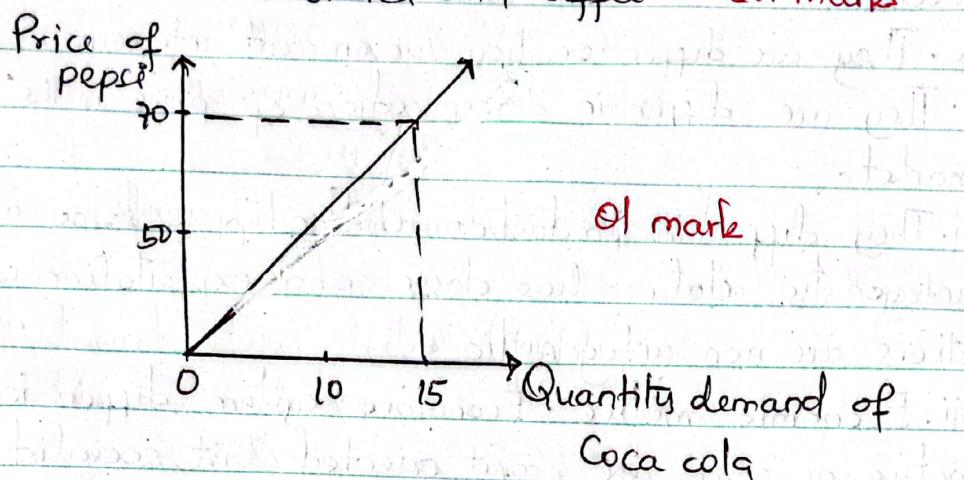
#### SECTION B (40 marks)

- 3 @ The cross elasticity demand is the degree of responsiveness of the quantity demanded of one product due to change in price of another product in the market

01 mark

- The following are types of cross elasticity of demand.

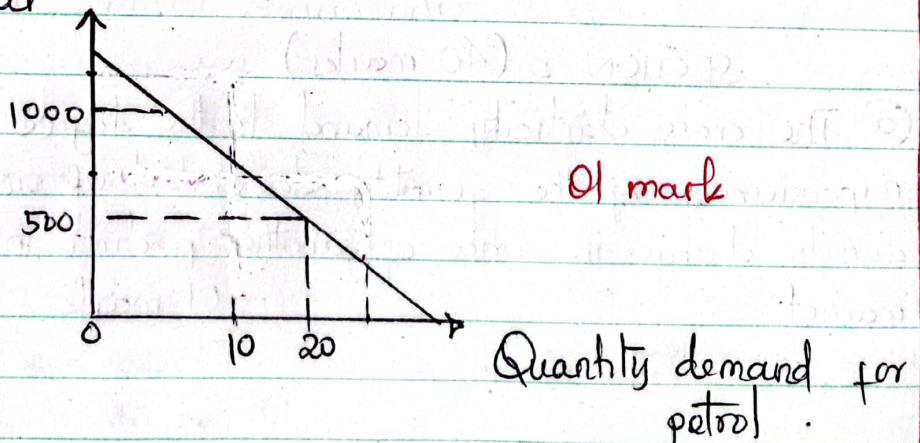
⇒ Positive cross-elasticity demand : This is when increase in price of one product leads to increase in quantity demand of another product in the market. This happening for substitute product like Pepsi and Coca Cola or Tea and coffee **02 marks**.



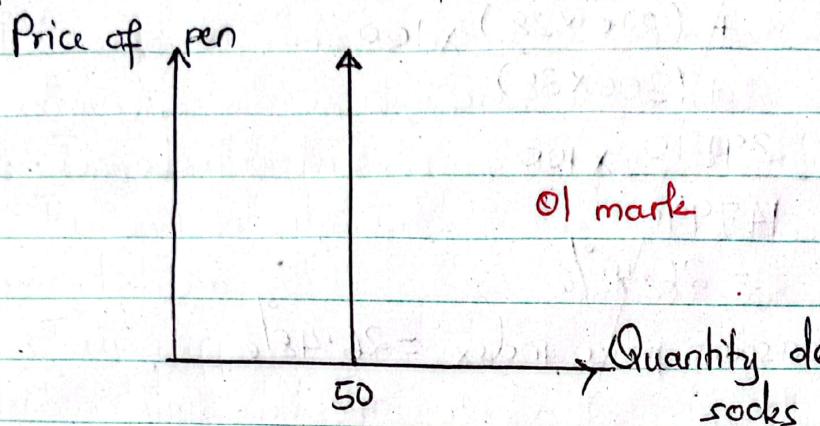
⇒ Negative cross-elasticity of demand

This is when increase in price of one product lead to decrease in the quantity demand of another product in the market. It happen for complementary products such as car and petrol or mobile phone and sim-card **02 marks**

Car



→ Zero cross elasticity of demand 02 marks  
This is when change in price of one product does not lead to change in quantity demand of another product in the market. This happens for independent products like car and rice cooker or pen and socks.



⑥ Students should explain with vivid example the context of the sunflower oil market in Tanzania.

The non-price factors affecting the demand for sunflower oil in Tanzania.

→ Fluctuation in the price of substitute products of sunflower oil like safi oil and other imported cooking oil.

→ Changes in taste and preference of consumers of sunflower oil.

→ Changes in number of customers or market size of sunflower oil in Tanzania and foreign market.

→ The government policy on the use of sunflower oil and protectionism policies.

→ Changes in taxation policy on the consumption of sunflower oil in Tanzania.

→ Changes in the income of customer/consumers of sunflower oil in Tanzania.

Any five points (5) @ 2 marks = 10 marks

4 (a) From the given table.

i. Price relative for each commodity

$$\text{Price relative (R)} = \frac{P_n}{P_o} \times 100$$

Where

$P_n$  = Current year price of the commodity.

$P_o$  = Base year price of the commodity.

$$\text{Price relative of sugar} = \frac{2500}{2000} \times 100 = 125\%$$

$$\text{Price relative of sugar} = 125\% \quad 01 \text{ mark}$$

$$\text{Price relative of rice} = \frac{2100}{1500} \times 100 = 140\%$$

$$\text{Price relative of rice} = 140\% \quad 01 \text{ mark}$$

$$\text{Price relative of beans} = \frac{3000}{2000} \times 100 = 150\%$$

$$\text{Price relative of beans} = 150\% \quad 01 \text{ mark}$$

ii. Laspeyres' price index

$$\text{Laspeyres' price index} = \frac{\sum P_n Q_o}{\sum P_o Q_o} \times 100 \quad 01 \text{ mark}$$

Items	$P_o$	$P_n$	$Q_o$	$P_n Q_o$	$P_o Q_o$
Sugar	2000	2500	5	12500	10000
Rice	1500	2100	8	16800	12000
Beans	2000	3000	5	12000	8000
Total				41300	30,000

$$\text{Laspeyres' price index} = \frac{41300}{30,000} \times 100$$

$$= 137.666\%$$

$$\therefore \text{Laspeyres' price index} = 137.7\% \quad 02 \text{ marks}$$

### Comment/Interpretation

- Price level increased by 37.7%
- The value of money decreased by 37.7%
- The cost of living increased by 37.7% **02 marks**

iii. Laspeyres index is more meaningful because it uses the base year weight, hence the price index reflects only changes in prices but not changes in consumption patterns or lifestyles of the people in the economy **02 marks**

(b) Practically is not always the case that increase in money supply may be accompanied with the increase in general price level in the economy due to the following reasons :

- i. Increase in natural output in the economy.
- ii. Increase in hoarding of money
- iii. Increase in direct Taxes
- iv. Direct price control
- v. Increase in barter transaction
- vi. Expansion of subsistence sector

**Any five points @ 2 marks = 10 marks**

5 From the table the following information can be noticed .

- Male children are more than female children
- Labour force - females are more than males
- Old age - female are more than males
- Dependents - children are more than old age dependents

**02 marks**

**0624 254 757**

$$\begin{aligned}
 \text{ii. DR} &= \frac{\text{No. of dependants } (0-14 + 65) \times 100\%}{\text{Working population } (15-64)} \\
 &= \frac{17077 + 9918}{28073} \times 100\% \\
 &= \frac{26995}{28073} \times 100 \\
 &= 97\% \quad \text{03 marks}
 \end{aligned}$$

### iii. Economic interpretation

In every 100 working population There are 97% dependants 01 mark

iv. Reference time is made because population is dynamic ie Changes with Time. 01 mark

$$\begin{aligned}
 \text{v. Sex ratio} &= \frac{\text{No. of males}}{\text{No. of females}} \times 100 \\
 &= \frac{26778}{28290} \times 100 \\
 &= 94.6\%
 \end{aligned}$$

Implication, In every 100 females There are approximately 95 males 03 marks

(b) Benefits of adopting family planning

- i. Helps to reduce dependent ratio in a country.
- ii. Helps to reduce the problem of unemployment
- iii. Reduce the burden to the government to supply basic social services.
- iv. Reduce pressure on the available natural resources thus solving the problem of environmental pollution.
- v. Reduce social evils such as bad moral etc

Any five points @ 02 marks = 10 marks

## SECTION C (40 Marks)

### 6 Introduction :- 01 mark

Negative externalities occur when the production and consumption of goods and services exert negative effects on the third party independent of the transaction. For example, pollution (harmful gases) from production activities may cause airborne disease like asthma to the people who are not involved in the transaction.

### Any relevant introduction

The following are common ways to handle the pressure of negative externalities in Tanzania and other countries/economies

- i. Imposing tax (Pigouvian tax)
- ii. Strict laws and regulation (command and control)
- iii. Tradable permit
- iv. Subsidizing
- v. Eco-labeling
- vi. Providing mass education

Any six points @ 03 marks = 18marks

Conclusion Any relevant conclusion 01 mark

### 7 Introduction 01 mark

Define sustainable development. 01 mark

⇒ The following are the application of sustainable development in Tanzania

- i. The use of alternative and renewable energy resources Eg wind, solar, biogas
- ii. Emphasize on improvement of technology

**U.B.N COOPERATION**

**0624 254 757**

(method of production) so as to achieve maximum output.

- iii. Environmental conservation and sustainable use of natural resources.
- iv. Enhance community participation and involvement of private sector in development of resources management.
- v. Poverty eradication through strengthening the financial base and cost reduction on various social services.
- vi. Recycling of waste products

Any six points @ 03 marks = 18 marks

Conclusion Any relevant conclusion 01 mark

## 8 Introduction

Define Population 01 mark

Main body

- i. It predict the labour market trend.
- ii. Helps in assess the potential for economic growth
- iii. Understanding the population demographic such as age distribution and income level it aids in formulating the targeted economic policies.
- iv. It contributes to forecasting demand for goods and services.
- v. It enables businesses to make informed investment and production decision

Any six points @ 03 marks = 18 marks

Conclusion Any relevant conclusion 01mark

U.B.N COOPERATION

0624254757