

ES MARIE ADELAIDE  
ACADEMIC YEAR OF 2020  
ECONOMICS WORK

1. Write short notes on the following terms: / 10 marks
  - a) Opportunity cost curve
  - b) Effective demand
  - c) Ceteris paribus
  - d) Shut-down point
  - e) Abnormal profits
2. Show the relationship between Average Propensity to Save (APS) and Average Propensity to Consume (APC) / 5 marks
3. Complete the following table / 5 marks

Income (Y)	Consumption (C)	APC	MPC	S	APS	MPS
100	90					
200	180					
300	270					
400	360					
500	450					
600	540					

4. Complete the following table / 5 marks

Marginal Propensity to Consume (MPC)	Multiplier (k or m)
0.00	
0.10	
0.20	
0.30	
0.40	

5. Give five importance of national income statistics / 5 marks
6. Explain types of consumption / 4 marks
7. Explain types of investment / 4 marks
8. Complete the following table /12 marks

Quantity demanded	Quantity supplied	Equilibrium price	Equilibrium quantity
2-4P	2P-6		
24-6P	P+10		
P+36	4P+21		

9. Differentiate monopoly from oligopoly / 5 marks
10. Explain the methods of measuring national income / 15 marks

11. Describe the determinants of price elasticity of demand / 15 marks

12. What is price discrimination and what are necessary conditions for it to be possible? / 15 marks

13. a) An economy is characterized by the following

$$C = 400 + 0.45Y, I = 200 + 0.20Y, G = 20, X = 100, M = 600 + 0.15 Y$$

- i) Find the level of income ii) Find the level of the consumption iii) Find the level of investment iv) Find the level of imports /10marks

14.a) Define the term “marginal propensity to import”. /2marks

b) Given that a country's Gross Domestic Product (GDP) increased from 100 million \$ to 300 million \$ and the value of imports increased from 25 million \$ to 75 million \$, calculate the marginal propensity to import. /3marks

c) Given that the current level of Gross Domestic Product is 300 million shillings, change in national investment expenditure is 50 million shillings and marginal propensity to save is 0.2; calculate the final level of national income. /5marks

15. a) Distinguish between cost of living and standard of living. /7marks

b) The Per capita income of a country X is 10 times that of a country Y, and country Y enjoys high standard of living more than country X”. Discuss on this statement /8marks

### **WORK OF ECONOMICS**

1.a. Explain the following terms: /5marks

- i) Ceiling price
- ii) Price floor
- iii) Caeteris paribus
- iv) Transfer earning
- v) Excess capacity

b. Explain the effect of the following on the price: /3marks

- i) Demand
- ii) Supply
- iii) Competition

2.a) Demand curve slopes downward from left to right. Explain? /7marks

b) The law of demand states that, “there is an inverse relationship between the price of good and the quantities of the buyers are willing to purchase. Is always demand curve satisfying the above theory? Explain? /10marks

3. a) Why the supply curve slope upwards from left to right? /5marks

b) Find equilibrium price and quantities on the following market? /6marks

1<sup>st</sup> Market : Supply equation is  $Q_s = -20 + 3p$

Demand equation is  $Q_d = 220 - 5p$

2<sup>nd</sup> Market:  $Q_d - 128 + 9p = 0$

$Q_s + 32 - 7p = 0$

c) Represent graphically your solution for each market. /4marks

4. a) What do you mean cross elasticity of demand? /1marks

b) What are the relevance of the price elasticity of demand? /4marks

5. a) Differentiate between Producer, consumer and Social Surplus. /3marks

b) Given that: the maximum price is 2000 rwf, equilibrium price is 800 rwf and equilibrium quantity demanded is 20 rwf.

Calculate: - Consumer surplus

- Producer surplus if the minimum price is equal to 200rwf /6marks

6. a) Define the term Price mechanism. /2marks

b) Explain any five ways of reducing the defects of price mechanism. /10marks

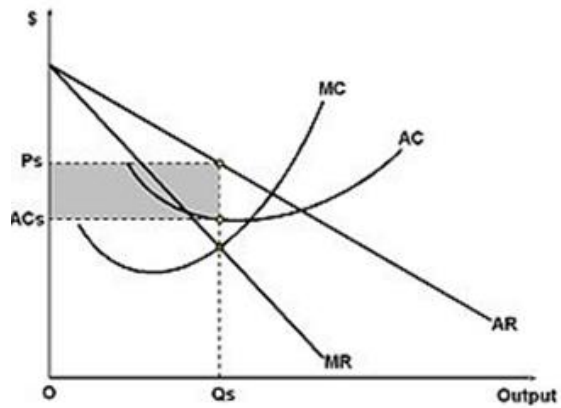
7. a) Explain the price fluctuation. /2marks

b) Discuss on the price instability in agricultural products in Rwanda. /10marks

8. a) What is industry inertia? /2marks

b) List the reasons for the survival of small firm alongside the large one. /10marks

9. Given the following figure:



- What the graph above illustrate? /2marks
- How are the price, costs and profit are determined under above figure? /4marks
- Enumerate the forms of products differentiation. /4marks

**BEST WISHES!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!**