

Subject: **Economics S6MCE &MEG**

PAPER I : BASIC PRINCIPLES OF ECONOMICS.

SECTION A:

1. a) What are the fundamental economic principles **/2Marks**
b) With the help of the PPF, explain the relationship between the fundamental economic principles mentioned above. **/4Marks**
2. a) Distinguish between break-even point and shut-down point. **/2Marks**
b) Manzi publishers Rwanda, is the sole supplier of economics books in Rwanda. Describe the factors that may have favoured it to carry out that activity alone. **/4Marks**
3. Given that in 2016, the price of exports is 140, price of import is 240 and quantity of export is 90.
Required: a) Calculate barter terms of trade. **/2Marks**
b) Calculate income terms of trade. **/2Marks**
c) If in the following year prices of exports increased to 200, holding price of imports Constant, calculate the barter terms of trade and interpret the terms of trade. **/3Marks**
4. Discuss the effects of increased money supply in economy of Rwanda. **/6Marks**
5. Explain the contribution of international trade to the economy development of your country. **/6Marks**

6.a) what is meant by market. **/2Marks**

b) Distinguish between demand and supply. **/4Marks**

c) Study the table below and answer the following questions:

Price per kg of rice	Quantity demanded of rice	Quantity supplied of rice
1000	60	24
2000	55	36
3000	50	42
4000	45	45
5000	40	79
6000	35	100
7000	30	125

- i) Use the figures in the table to illustrate demand and supply curve on the same graph and determine equilibrium point. **/5Marks**
 - ii) What is equilibrium price and equilibrium quantity. **/2Marks**
7. a) What is meant by forex. **/2Marks**
b) Enumerate the importance of foreign exchange reserves in an economy. **/4Marks**
8. a) What is imported inflation? **/ 2Marks**
b) State any three policies that can be used to control imported inflation. **/ 3Marks**

SECTION B:

9. a) Under what circumstances may devaluation fail to solve the balance of payments problem in an economy. **/5Marks**

b) Distinguish between fixed exchange rate and floating exchange rate system. **/6Marks**

c) What policy measure would you suggest to reduce BOP problems in Rwanda. **/4Marks**

10. a) Distinguish between natural population growth rate and artificial population growth. **/2Marks**

b) Distinguish between real income and nominal income. **/3Marks**

c) The following table summarizes the population and national income figures of East African countries.

Country	GDP in millions	Population
Kenya	7550	120
Rwanda	200	15
Uganda	155	27
Burundi	100	15
Tanzania	6500	30

Required: i) For each country, calculate income per capita. **/5Marks**

ii) Which country had the lowest income per capita **/1Mark**

iii) Which country had the highest income per capita **/1Mark**

iv) What would happen to Kenya's income increased by 10% and population increased 4%. **/3Marks**

11. a) Discuss any five factors that explain the survival of small scale firms alongside large scale firms. **/5Marks**

b) Discuss any five factors influencing location of a firm. **/ 5Marks**

c) Discuss the five determinants of wages. **/5Marks**

12.a) "Borrowing in a necessary evil" Discuss. **/10Marks**

b) Examine the reasons behind the continued high government expenditure in Rwanda. **/5Marks**

13. a) Differentiate balance of trade and balance of payment. **/6Marks**

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

Item/Year	2014 in million francs
Exports	
Goods	200

Services	100
Imports	
Goods	150
Services	250
Transfers	
To the other country	10
From the other country	20
Capital flows	
Inflows	40
Outflow	50

i) Calculate visible balance in the year 2014 and interpret the answer. **/2Marks**

ii) Calculate invisible balance in the year 2014. **/1Mark**

iii) Calculate the net capital inflows in year 2014. **/1Mark**

iv) Determine net transfer. **/1Mark**

v) Calculate current balance. **/2Marks**

vi) Assuming that there are no errors and omission, calculate the balance on monetary account in the year 2014 and interpret your answer. **/ 2Marks**

PAPER II: APPLICATION BASIC PRINCIPLES OF ECONOMICS. /100Marks

SECTION A:

1. a) Distinguish between open economy and closed economy. **/2Marks**
b) Discuss the policies that can be used to increase aggregate demand in Rwanda. **/3Marks**
2. a) Differentiate between barriers and non-tariff barriers to trade. **/2Marks**
b) Explain the various tools used to restrict international trade in your country. **/5Marks**
3. a) What is meant by wealth. **/1Mark**
b) Differentiate the forms of wealth. **/3Marks**
4. Study the table below and answer the questions which follow:

TR "Rwf"	TC"Rwf"	Quantity kg of rice
450,000	300,000	450

- i) Required: a) Find the level of profit. **/2Marks**
b) Calculate the price of rice. **/1Mark**
c) Find the profit per unit of rice. **/1Mark**
 - ii) Explain five Objectives of a firm
5. What problems are encountered when constructing an index number . **/5Marks**
6. a) Suggest the factors that may determine the consumption rates in Rwanda. **/4Marks**
b) i) Calculate the magnitude of the multiplier where MPC is 40%. **/2Marks**
ii) Given that MPC is 0.6 and the level of national income is 3Millions Rwf. Calculate MPS and multiplie principle **/3Marks**
7. a) What is meant by economic integration. **/2Marks**

- b) Give any 4 examples of economic integration. **/4Marks**
- c) State any 4 objectives of economic integration. **/4Marks**

8. a) Distinguish between elasticity of demand and elasticity of supply. **/3Marks**

- b) Given that the income of the consumer increased from 50,000Rwf to 70,000Rwf, leading to a reduction in the quantity demanded of commodity X from 70kg to 40kg.
 - i) Calculate the income elasticity of demand. **/3Marks**
 - ii) What kinds of commodity X and why. **/1Mark**

9. To what extent inflation can cause of balance of payment problem in LDCs. **/4Marks**

SECTION B:

10. a) Differentiate between central bank and commercial bank. **/8Marks**
b) A school deposited 800,000Rwf at bank at the interest rate of 15% per year. How much will be school have on its account after: i) 6months **/2Marks** ii) 4 years **/2Marks**
c) What should the government of Rwanda do to encourage the saving in Rwanda. **/3Marks**
- 11.a) Explain the factors that limit the success of buffer stock systems in less developed countries(LDCs) **/5Marks**
b) Discuss the causes of price fluctuation of agricultural products. **/10Marks**
12. a) Explain how the construction of good roads may help to increase national income of Rwanda. **/7Marks**
b) Why is per capita income not a good measure of comparing the standards of living between two countries **/8Marks**

13. a) Study the table below showing terms of trade for a country (2012 - 2016) and answer the questions that follow:

Year	Export price index	Import price index	Terms of trades
2012	100	100	100
2013	142	108	
2014	120	114	
2015	128	132	
2016	154	173	

Required: i) Calculate the terms of trade for the year 2013 to 2016. **/4Marks**

ii) Explain the nature of terms of trade in 2015 and 2016. **/2Marks**

b) Why have terms of trade tended to move against developing countries' economies. **/4Marks**

c) Why does Rwanda rely more on borrowing than taxation to finance her development budget **/5Marks**

14. a) The country of Rwanda had a population of 10, 537,222 in 2012 and total area of 26, 338.....kms.

Calculate population density of Rwanda. **/3Marks**

b) Advise Rwanda government on how to control population growth. **/5Marks**

c) Give and explain the stages of economic integration. **/7Marks**

GOOD LUCK!!!

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

1st Market : Supply equation is $Q_s = -20 + 3p$

Demand equation is $Q_d = 220 - 5p$

2nd 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

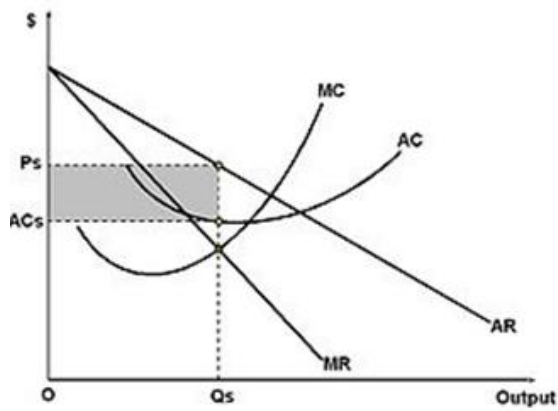
7. a) Explain the price fluctuation. /2marks

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

WORK OF ECONOMICS

1. a. Explain the principle of comparative advantage and absolute advantage /4marks

b. Examine the limitation of comparative advantage as basis for international trade? /10marks

2. a) Distinguish between income tax and consumption tax. /4marks

b) Mention any three objectives of government budget. /5marks

3. a) Distinguish between favorable terms of trade and favorable balance of trade? /4marks

4. a) Explain the different tools of trade restriction. /6marks

b) State the arguments against protection. /6marks

5. a) What is meant economic integration?/3marks

b) Explain the various forms of economic integration /6marks

6. a) What is meant inflationary spiral? /2marks

b) Differentiate expectation inflation and monetary inflation? /4marks

c) To what extent is inflation in Rwanda a result of increased costs of production? /6marks

7. a) Differentiate unemployment and unemployment rate in economies? /5marks

b) How structural unemployment can be solved? /5marks

8. a) What is meant by a regressive and progressive tax? /4marks

b) State any four effects of regressive tax /4marks

9. a) Study the table below:

Country	Commodities	
	Generators	Coffee
X	400	600
Y	100	300

i) State the country with absolute advantage in production of both commodities. /2marks

ii) Calculate the opportunity cost of producing each commodity in each country./2marks

iii) In each commodity should each country specialize? /2marks

10. a) Distinguish between debt financing and taxation financing. /2marks

b) Distinguish between capital expenditure and revenue expenditure. /2marks

c) Present advantages of debt financing over taxation financing. /6marks