

FORM SIX OCTOBER MONTHLY TEST, 2022

151/1

ECONOMICS 1

TIME: 3:00 HOURS

INSTRUCTIONS

1. This paper consists of eight questions
2. Answer all questions in section A and two questions from each of sections B and C
3. Section A carries 20 marks, section B and C carry 40 marks each

SECTION A: (20 MARKS)

1. A trade cycle is a wave like movement characterized by alternation of expansion and contraction in economic activity. Based on this statement describe five causes of such trend.
2. There are many goods produced in Tanzanian economy and consumed locally or internationally. For example “ Sikate Syangano” is produced in Makete district and consumed there while maize is produced in the country and consumed by all people in the country. Explain five reasons behind the scenario.

SECTION B (40 MARKS)

3. Study carefully the schedule below then answer the questions that follow it.

Price of Y (Tshs)	Quantity
10	40
20	50
30	60
40	70
50	80

- (a) Draw a graph of the schedule with price of Y on the Y-axis and quantity of X bought on the x-axis.
 - (b) What does the graph in (a) above show?
 - (c) What is the economic interpretation of the information derived from the graph in (a) above?
4. The drawing below shows a hypothetical production transformation curve.

- (a) Identify the production possibilities for point A, B, C and D
- (b) Explain the economic implications of a production possibility at A, B, C and D
- (c) How does the drawing demonstrate the problem of scarce resources?

5. Consider the following costs and revenue functions of a firm

(i) $TR = 132Q - 8Q^2$

(ii) $TC = Q^3 - 14Q^2 + 69Q + 128$

Where

TR = Total revenue

TC = Total cost

Q = Quantity produced

- (a) Find the output which will maximize profit
- (b) Calculate maximum profit
- (c) Calculate total fixed cost (TFC), Total variable cost (TVC) average cost (AFC) and average variable cost (AVC)
- (d) Calculate average revenue (AR) and state at what market structures is the firm operating. Give reasons for your answer.

SECTION C (40 MARKS)

- 6. According to the quantity theory of money, an increase in the quantity of money would bring about a proportionate increase in price. Give a critical analysis of this theory.
- 7. Structural unemployment not only leads into social and economic changes in the society but also changes in demand and supply in specific industries. Discuss three causes and three remedies of structural unemployment.
- 8. Interaction between economic system and development is one of the major reasons for the existence of externalities. Justify this statement by giving six causes of externalities in the economy.