ECONOMICS II
018
31/10/2014 2PM - 5PM

ADVANCED LEVEL NATIONAL EXAMINATIONS, 2014

SUBJECT: ECONOMICS

PAPER 2: APPLICATION OF BASIC PRINCIPLES OF ECONOMICS

COMBINATIONS: HISTORY- ECONOMICS-GEOGRAPHY (HEG)
HISTORY- ECONOMICS-LITERATURE (HEL)
LITERATURE- ECONOMICS-GEOGRAPHY (LEG)
MATHEMATICS-ECONOMICS-GEOGRAPHY (MEG)
MATHEMATICS-COMPUTER SCIENCE-ECONOMICS (MCE)
PHYSICS-ECONOMICS-MATHEMATICS (PEM)

DURATION: 3 HOURS

INSTRUCTIONS:

1. Write your names and index number on the answer booklet as written on your registration form, and **DO NOT** write your names and index number on additional answer sheets of paper 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: This section is compulsory.  
   (55 marks)

   Section B: Answer **any THREE** questions.  
   (45 marks)

4. Use blue or black pen.
SECTION A: ATTEMPT ALL QUESTIONS. (55 marks)

1. a) Distinguish between public and private goods.  
   b) Give any three reasons why public goods are always provided by the state. (3marks)

2. a) Briefly explain any three uses of prices in your country’s economy.  
   b) Explain any three determinants of price in your country’s economy. (3marks)

3. a) What is a trade union?  
   b) Give any three aims of a trade union.  
   c) What methods are used by trade unions to achieve their aims? (3marks)

4. The table below shows the quantities demanded of a commodity at different price levels.

<table>
<thead>
<tr>
<th>Prices</th>
<th>Quantities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>20</td>
</tr>
<tr>
<td>1800</td>
<td>16</td>
</tr>
</tbody>
</table>

From the table, calculate the price elasticity of demand. (2marks)

5. a) Give any four determinants of money supply in an economy. (4marks)
   b) Explain briefly what will happen when the Central Bank of Rwanda prints and supplies more money. (3marks)

6. a) Differentiate between localization and location of industries. (2marks)
   b) Identify any three advantages of localization of industries. (3marks)

7. a) What is structural unemployment? (2marks)
   b) Give any two causes of classical unemployment. (2marks)

8. a) What do you understand by the term “globalization”? (2marks)
   b) Explain any two forms of globalization. (4marks)

9. a) Differentiate between balance of trade and balance of payments. (2marks)
   b) Give any four advantages of international trade without restrictions. (4marks)

10. a) Explain any two ways in which the World Bank is beneficial to developing countries. (2marks)
b) Differentiate between the World Bank and the International Monetary fund. (4 marks)

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

11. a) Differentiate between Gross Domestic Product (GDP) and Gross National Product (GNP). (4 marks)

b) Give any three reasons why transfer payments are not considered when computing National Income using the income approach. (6 marks)

c) When Government agents in charge of computing National income are using the production approach, should they consider the value of books used in public schools? Justify your answer. (3 marks)

d) Explain why indirect taxes are not excluded in National disposable income. (2 marks)

12. a) What do you understand by high intensive technology as a type of production technique? (1 mark)

b) Give any seven arguments against the use of capital-intensive techniques in developing countries. (7 marks)

c) Give any seven arguments to support the use of labour intensive techniques of production in developing countries. (7 marks)

13. a) Explain briefly five factors that affect saving in Rwanda. (5 marks)

b) Briefly explain any five reasons why people save their money? (10 marks)

14. a) Why is mechanization of agriculture desirable in Rwanda (Give any eight reasons). (8 marks)

b) What are the problems encountered by agricultural mechanization in Rwanda? (7 marks)

15. The working population of country X is 40 million. The old people are 10 million and the young are 50 million.

a) Calculate country X's dependency ratio. (3 marks)

b) Give any five disadvantages of the population with high dependence ratio. (5 marks)

c) Suggest any seven strategies which can be used to avoid population explosion in developing countries. (7 marks)