

ACC – Economic Environment

T035

Thursday, 10/11/2016

08:30 – 11:30

WORKFORCE DEVELOPMENT AUTHORITY



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**ADVANCED LEVEL NATIONAL EXAMINATIONS, 2016,
TECHNICAL AND PROFESSIONAL STUDIES**

EXAM TITLE: Economic Environment

OPTION: Accountancy (ACC)

DURATION: 3hours

INSTRUCTIONS:

The paper is composed of **two (2) main Sections** as follows:

Section I: Sixteen (16) compulsory questions.

55 marks

Section II: Attempt any three (3) out of five questions.

35 marks

Note:

Every candidate is required to carefully comply with the above instructions. Penalty measures will be applied on their strict consideration.

Section I. Sixteen (16) Compulsory questions

55marks

- 01.** Explain the difference between a barter trade and a monetary economy.
Briefly explain the advantages of monetary economy. **4marks**
- 02.** Explain the following types of money:
i. Fiat money
ii. Fiduciary money **3marks**
- 03.** Consumption is the main stimulus of economic development in any country.
Provide three ways by which the Government can boost the national consumption. **3marks**
- 04.** Using a circular flow of goods and services in the economy, briefly explain how different economic agents participate in the economy. **4marks**
- 05.** The price of a good X has increased and as a consequence, the quantity demanded of good Y has also increased. The price of good Z has increased and as a result, the supply of good T has declined. Explain the relationship between the goods X and good Y on one side and good T and good Z on the other side. **2marks**
- 06.** Explain the difference between Microeconomics and Macroeconomics. **3marks**
- 07.** Briefly explain the economic questions that arise as consequence of scarcity. **5marks**
- 08.** Most African countries are said to be underdeveloped, based on several factors that characterize an undeveloped economy.
Outline six characteristics of underdevelopment **3marks**
- 09.** Rwanda is a member of several economic, political and regional integration, including the EAC, Commonwealth and COMESA among others. Discuss two advantages a country like Rwanda gets from joining Economic integration. **4marks**
- 10.** What is an exchange rate? If the exchange rate between Rwandan francs (FRW) and UK British Pound (£) is 1 £ = 1,050 FRW, how much does a British who travels to Rwanda needs to carry to cater for his accommodation if he will spend five nights in a Rwandan hotel charging 42,000 FRW per night? **4marks**
- 11.** Explain the inflation and provide two causes of inflation. **4marks**
- 12.** Outline four factors that affect the price elasticity of supply. **2marks**

13. Give out any three adverse effects of inflation to the economy of a country. **3marks**
14. Explain four measures that the country can adopt to fight against inflation. **4marks**
15. Explain the marginal propensity to consume and provide two factors that influence the consumption. **3marks**
16. (A) Explain the "balance of payments".
 (B) In Rwanda's trade balance, a part of the balance of payments has been in deficit in almost the last fifteen years. Highlight two causes of a deficit trade account in most developing countries like Rwanda. **4marks**

Section II. Choose and answer any three (3) questions. 30marks

17. a) What is income inequality? Provide four (4) causes of income inequality in less developed countries. **5marks**
- b) The table below shows some of the items in a country's National Income and Product Accounts in 2015.

Item	Amount (trillions of dollars)
Consumption expenditure	10.0
Government expenditure	2.9
Indirect taxes less subsidies	0.8
Depreciation	1.9
Net factor income from abroad	0.2
Investment	2.1
Net exports	- 0.7

Answer

- 1) Use the expenditure approach to calculate the country's GDP in 2015. **2marks**
- 2) What was the country's GDP as measured by the income approach in 2015? **2marks**
- 3) By how much did gross domestic product and net domestic product differ in 2015? **2marks**
- 4) Calculate the country's GNP and its National Income in 2015. **4marks**
18. What is money? Discuss the functions of money and the characteristics of good money. **15marks**

19. Agriculture sector in Rwanda is a dominant sector in terms of employment generation and source of food. However, it encounters many problems which lead to its low productivity. Discuss the problems encountered by agriculture sector in Rwanda and propose the solutions to those problems. **15marks**

20. The table below provides the information from the production process that uses only labour as its factor of production.

Labour input	Total production	Marginal product	Average product
0	0		
1	36		
2	65		
3	85		
4	100		

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- a) Complete the table with marginal product and average product.
- b) Explain four characteristics of a perfect competitive market.
- c) State two disadvantages of a monopoly
- d) Discuss the difference between oligopoly and monopolistic competition.

15marks

21. Economic integration is the co-operation of several countries for the sake of enjoying economic benefits. East African Community (EAC) is one of the examples of economic integration. Illustrate the necessary conditions for the success of economic integration. Outline the advantages and disadvantages of economic integration. **15marks**