

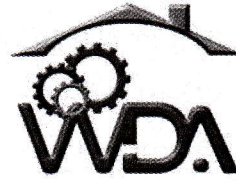
ACC - Economic Environment

**T030**

Thursday, 31/10/2013

8: 30 - 11: 30 AM

WORKFORCE DEVELOPMENT AUTHORITY



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**ADVANCED LEVEL NATIONAL EXAMINATIONS, 2013,  
TECHNICAL AND PROFESSIONAL TRADES**

**EXAM TITLE: Economic Environment**

**OPTION: ACCOUNTANCY (ACC)**

**DURATION: 3HOURS**

**INSTRUCTIONS:**

This paper consists of **two (2)** sections:

**Section I:** Thirteen (13) questions, all **Compulsory** **55marks**

**Section II:** Five (5) questions, **choose any three (3).** **45marks**

**Section I: Attempt all the 13 questions. 55marks**

- 01.** Using suitable examples, briefly explain the relationship between scarcity, choice and opportunity cost. **5marks**
- 02.** Explain the difference between equilibrium price and disequilibrium price. **4marks**
- 03.** Describe how resources are allocated in a market economy. **5marks**
- 04. a)** Distinguish between social and private costs. **2marks**  
**b)** Explain why the social costs of using a personal car are greater than the private costs. **2marks**
- 05. a)** Describe how a public corporation differs from a public limited company. **2marks**  
**b)** Explain two factors that influence the size of a firm. **2marks**
- 06. a)** It has often been said that if the government wants to tax certain goods, it should tax those which have inelastic demand more than those whose demand is elastic. Why? **1mark**  
**b)** What is measured by the following types of elasticity?  
**i.** Price elasticity of demand? **1mark**  
**ii.** Income elasticity of demand? **1mark**  
**iii.** Cross elasticity of demand? **1mark**
- 07.** Distinguish between absolute poverty and relative poverty. **4marks**
- 08. a)** Explain two economic advantages of a fall in unemployment. **2marks**  
**b)** How can the government use taxes to reduce unemployment? **4marks**
- 09.** Distinguish between economic growth and economic development. **4marks**
- 10.** What are causes of unemployment according to:  
**a)** classical economists **2marks**  
**b)** according to Keynes. **2marks**
- 11.** How is the balance of payments of a country determined? **3marks**
- 12.** Explain why a country may have a deficit in visible trade but still have a current account surplus in its balance of payments **4marks**
- 13.** Suggest 4 major economic reasons for privatization of state-owned enterprises in Rwanda. **4marks**

**Section II: Choose and Answer any Three (3) questions. 45marks**

14. a) Explain the main functions of money in a country's economy. **5marks**  
b) How do commercial banks create money? **4marks**  
c) Discuss the main functions of the National Bank of Rwanda in the country's economy. **6marks**
15. a) Explain what you understand by the vicious cycle of poverty. **5marks**  
b) Outline the strategies adopted by the Government of Rwanda in recent years to promote economic development and reduce poverty. **10marks**
16. a) Explain the role of agriculture in a country's economic development. **7marks**  
b) Discuss the advantages of industrialization over agriculture in the economic development of a country. **8marks**
17. a) Discuss whether a government should protect its industries from foreign competition. **7marks**  
b) Outline the measures a country might take to protect its industries. **8marks**
18. a) Identify and briefly explain the main obstacles to economic integration. **8marks**  
b) Discuss the main advantages a country seeks to get from regional economic integration. **7marks**