Economics I

017

01/11/2013  8.30am – 11.30am

ADVANCED LEVEL NATIONAL EXAMINATIONS 2013

SUBJECT: ECONOMICS

PAPER I: BASIC PRINCIPLES OF ECONOMICS

COMBINATION(S): 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. Do not open this question paper until you are told to do so

2. 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)

3. Use only blue pen.

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SECTION A: ATTEMPT ALL QUESTIONS (55 marks)

1. a) i. What is meant by “inter-related demand”? (1 mark)
   ii. Explain any two forms of inter-related demand. (2 marks)

   b) Explain how Government policy may determine the supply of a commodity. (2 marks)

2. a) Discuss any three advantages offered by a free enterprise market. (3 marks)
   b) i. What is meant by the term “minimum price”? (1 mark)
      ii. Explain any two disadvantages of minimum price. (2 marks)

3. a) Explain why producers are entitled to profit. (2 marks)
    b) State and explain any three types of business ownership. (2 marks)

4. a) Give and explain any four factors that determine the supply of labour. (4 marks)
    b) Analyze the three main factors that determine the demand for a factor of production. (3 marks)

5. a) Differentiate between Gross National Product (GNP) and Gross Domestic Product (GDP). (2 marks)
    b) Given that: GDP at factor cost is 5,000 million Rwf, Net income from abroad is 1,000 million Rwf, and depreciation of capital equipment is 70 million Rwf; calculate the Net National Product. (3 marks)

6. a) Define the following terms:
   i. National income. (1 mark)
   ii. Net National product. (1 mark)

   b) i. Describe the three approaches used to compile National Income. (3 marks)
      ii. Distinguish between Money National income and Real National income. (2 marks)
7. a) What is meant by:
   i. Public finance?
   ii. Fiscal policy?
   b) What are the impacts of the following to the economy?
   i. Subsidies on investment.
   ii. Subsidies on prices of commodities.
   iii. Subsidies on Government expenditures.

8. a) Differentiate between subsistence and informal sectors.
   b) Outline three factors that have contributed to poor performance in the agricultural sector in Rwanda.

9. a) What meant by “trade restrictions”?
   b) Explain any two forms of trade restrictions.

10. a) Distinguish between the following:
   i. Balance of trade and balance of payment.
   ii. Terms of trade and visible balance.
   b) Describe three factors that enable developed countries to benefit more from international trade than developing countries?

**SECTION B: ATTEMPT ANY THREE QUESTIONS (45 marks)**

11. a) Give any five conditions necessary for effective planning.
    b) Explain any five principles of planning.

12. a) i. What is production?
    ii. What is the purpose of production?
    b) Which characteristics of land distinguish it from other factors of production?
    c) What are the functions of an entrepreneur as a factor of production?
13. a) Describe any five ways which Government may use to increase aggregate demand to overcome a recession.  
   (5 marks)
b) Explain the functions of commercial banks in your country.  
   (10 marks)

14. a) Discuss the role of the International Monetary Fund in the World economies.  
   (8 marks)
b) i. What are Structural Adjustment Programs (SAPs)?  
   (1 mark)
   ii. Give any five SAPs imposed by IMF on developing countries before it grants loans to them.  
   (5 marks)
   iii. What is meant by paper gold?  
   (1 mark)

15. a) Describe any five characteristics of underdevelopment.  
   (5 marks)
b) Discuss any ten indicators of economic development.  
   (10 marks)