

ACC – Economic Environment

T044

Thursday, 23/11/2017

08:30 – 11:30 AM

WORKFORCE DEVELOPMENT AUTHORITY



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**ADVANCED LEVEL NATIONAL EXAMINATIONS, 2017,
TECHNICAL AND PROFESSIONAL STUDIES**

EXAM TITLE: ECONOMIC ENVIRONMENT

OPTION: Accountancy (ACC)

DURATION: 3 hours

INSTRUCTIONS:

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

Section I: Fourteen (14) compulsory questions. 55 marks

Section II: Attempt any three (3) out of five questions. 30 marks

Section III: Attempt any one (1) out of three questions. 15 marks

Note:

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

Section I. Fourteen (14) Compulsory questions**55 marks**

01. Differentiate merit goods from demerit goods (give an example for each). **4 marks**
02. Provide three criteria for Monopolistic competition market structure. **3 marks**
03. Justify four reasons explaining why demand curve is downward sloping? **4 marks**
04. The table below gives part of the supply schedule for personal computers in USA.

Price of Computer	Quantity of computers supplied
1,100\$	12,000
900\$	8,000

- Calculate price elasticity of supply of computers when the price decreases from 1,100\$ to 900\$ and comment on the result. **3 marks**
05. Differentiate between:
(i) Banking financial institutions and non-banking financial institutions,
(ii) Break-even point and shut-down point. **4 marks**
06. Price discrimination is one of the effects of monopoly market structure. Explain what it is and provide three forms it can take. **5 marks**
07. Outline five reasons explaining why public goods or services are always provided by the state rather by individuals (private sector). **5 marks**
08. Provide five factors that increase the level of money supply in a given country. **5 marks**
09. Define the term "full employment" and provide three reasons explaining why it is difficult to attain full employment level in an economy. **4 marks**
10. Provide five reasons explaining why people prefer holding money in cash form rather than any other assets. **5 marks**
11. Provide three reasons why is interest paid on capital. **3 marks**
12. What do you understand by excess capacity? Explain why a firm can decide to produce at excess capacity level. **3 marks**
13. Differentiate between demand pull inflation and cost push inflation. **3 marks**
14. Briefly explain four ways to determine the price of consumption goods at the market. **4 marks**

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

30 marks

15. Study the information in the table below on commodity W, X, Y, and Z and answer to the questions that follow.

Year	Income (\$) per year)	Quantity demanded (Kg per year)			
		W	X	Y	Z
2015	4,000	120	150	100	80
2016	10,000	150	450	100	40

- a) Calculate income elasticity for each commodity from 2015 to 2016
 b) Describe the type of income elasticity for each commodity.
 c) What type of goods are W, X, Y, and Z? Explain why? **10 marks**
16. Distinguish between specialization and division of labour. What are the advantages of specialization? **10 marks**
17. Consider the following table:

Y	T	Y-T	C	I	G
1000	100		90	110	
1200	100		90	110	
1300	100		90	110	
1400	100		90	110	
1500	100		90	110	

10
11.8
12.7
13.6
14.5

Where Y = National Income; T = Taxes; C = Private consumption;
 G = Government expenditures.

- a) Is this economy a closed one or open economy? Why?
 b) What does Y-T refer to?
 c) Complete missing values of Y-T and G columns. **10 marks**
18. Discuss on the roles played by the National Bank of Rwanda (BNR) in Rwanda. **10 marks**
19. Unemployment is one of the challenges Rwanda is facing although different measures are being taken to tackle that problem especially for youth. Discuss what have been the causes of unemployment in Rwanda. **10 marks**

Section III. Choose and answer any one (1) questions**15 marks**

20. Besides the classical typology of countries' sectors of economy, most of less developed countries, including Rwanda, are dominated by informal sector. What is an informal sector? Discuss the characteristics of informal sector in Rwanda. Highlight its positive and negative contributions on Rwandan economy and propose solutions on how to reduce it. **15 marks**
21. With the view of boosting economic development, different less developed countries are adopting a free trade among themselves or among developed countries. What do you understand by a free trade? Outline eight advantages and five disadvantages of a free trade for a given economy. **15 marks**
22. Study the following table and answer questions which follow. Figures are in million Rwandan Francs.

Item/Year	2015	2016
Exports		
Goods	100	50
Services	50	180
Imports		
Goods	90	120
Services	150	100
Transfers		
To the Country	5	20
From the Country	10	10
Capital flows		
Inflow	20	350
Out flow	30	40
Monetary/Cash	X	Z

- (a) Calculate visible balance for 2015 and 2016. Interpret the answers.
- (b) Calculate invisible balance for 2015 and 2016.
- (c) Give two examples of invisible trade
- (d) Calculate net capital inflow for both years
- (e) Determine the net transfer
- (f) Calculate the trade balance and current balance
- (g) Assuming there are no errors and omissions, find out the value of X and Z. **15 marks**