

**Economics I
016**

04 Nov.2011 8.30am - 11.30m

REPUBLIC OF RWANDA



**RWANDA EDUCATION BOARD (REB)
P.O.BOX 3817 KIGALI. TEL/FAX: 586871**

ADVANCED LEVEL NATIONAL EXAMINATION 2011

SUBJECT: ECONOMICS

PAPER I BASIC PRINCIPLES OF ECONOMICS

COMBINATION: HUMANITIES (MEG HEG, PEM)

DURATION : 3 HOURS

INSTRUCTIONS:

This paper consists of **TWO** sections A and B.

Section A: Answer **ALL** questions. **(55 marks)**

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

SECTION A: Attempt all questions (55 marks)

1. (a) What is meant by price control. (1 mark)
 (b) State any four forms of price control in an economy. (4 marks)

2. (a) Explain three fundamental economic problems. (3 marks)
 (b) Distinguish between inflationary gap and deflationary gap. (2 marks)

3. (a) Define the term complementary demand (1 mark)
 (b) Explain the relevance of the concept of price elasticity of demand to government. (4 marks)

4. (a) Study the table below and answer the questions which follow .

Price of commodity x (kg)	Quantity demanded of commodity x (kg)
2000	400
2500	200

DB.P
DP.Q

Required;

- (i) Calculate the price elasticity of demand. (1 mark)
- (ii) What form of elasticity does the commodity have and why? (2 marks)

- (b) Under what circumstances will price elasticity of demand for a commodity be price elastic? (2 marks)

5. (a) What is imperfect oligopoly. (2 marks)
 (b) Give three examples of imperfect oligopoly in your country. (3 marks)

6. (a) Explain the Quantity Theory of Money. (2 marks)
 (b) Given that the Quantity of Money in an economy is 1,000,000 Rwf. Its Velocity in circulation is 20 and the number of transactions made are 650.
 Required: calculate the general price level in an Economy. (3 marks)

7. (a) State any four indicators of economic under development in your country. (2 marks)
 (b) Give any three millennium development goals that your country is under taking. (3 marks)

8. (a) What is imported inflation? (1 mark)

- (b) State any four policy measures that can be used to reduce imported inflation in your country. **(4 marks)**
9. (a) What do you understand by the term geographical mobility of labour? **(1 mark)**
 (b) Mention any four factors which determine the supply of labour in Africa. **(4 marks)**
10. (a) Differentiate between autonomous items and accommodating items in the balance of payment accounts. **(2 marks)**
 (b) Give three reasons why government ownership of public enterprise is desirable. **(3 marks)**
11. (a) What is commercial policy? **(1 mark)**
 (b) State any four instruments of commercial policy in your country. **(4 marks)**

SECTION B: Answer Only Three questions (45 marks)

12. (a) Study the table below showing input and output relationship of TP, AP and PM in short run combination and answer the questions that follows.

Quantity of Labour	Total Product (TP)	Average Product (AP)	Marginal Product (MP)
1	43	43	43
2	160	-	-
3	351	-	-
4	600	-	-
5	875	-	-
6	1152	-	-
7	1372	-	-
8	1336	-	-
9	1656	-	-
10	1750	-	-
11	1815	-	-

- (i) Calculate the Average Product and Marginal Product. **(5 marks)**

- (b) Explain why a firm will continue to operate even when its total revenue is less than its total costs. **(10 marks)**
13. (a) why is it necessary for your country to control rapid population growth rate. **(8 marks)**
(b) Examine the policy measures the government of Rwanda has adapted to control population growth rate. **(7 marks)**
14. (a) Account for the causes of inflation in last five years in your country. **(8 marks)**
(b) What policy measures have been taken to control inflation in your country? **(7 marks)**
15. (a) Briefly explain the big push theory of development. **(2 marks)**
(b) Discuss benefits and costs of economic growth. **(13 marks)**
16. (a) What is multinational corporations? **(1 mark)**
(b) Assess the contribution of Multinational Corporations in the economic development of your country. **(14 marks)**