

ACC-Economic Environment

T044

Wednesday, 21/11/2018

08:30 – 11:30 AM

WORKFORCE DEVELOPMENT AUTHORITY



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**ADVANCED LEVEL NATIONAL EXAMINATIONS, 2018,
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: Seventeen (17) compulsory questions. 55 marks

Section II: Attempt any three (3) out of five questions. 45 marks

Note:

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

Section I. Seventeen (17) Compulsory questions**55 marks**

01. Briefly explain Maslow's-Hierarchy of Needs Theory. **(3 marks)**
02. Explain elasticity and provide three factors that affect the elastic of supply for a given good. **(5 marks)**
03. Compute the elasticity price of demand given the following information:

Point	Price level	Quantity demanded
A	30	100
B	50	70
C	70	30

- Compute the price elasticity demand at point B and interpret the results **(4 marks)**
04. Define returns to scale and explain the scenario when there are constant returns to scale. **(3 marks)**
05. Define the term "money" and provide three functions of money. **(3 marks)**
06. Explain economic integration and provide two benefits Rwanda as a country will benefit from the recently signed Africa Continental Free Trade Area (AfCTA). **(3 marks)**
07. Explain the factors of production and provide two examples of them. **(4 marks)**
08. Briefly explain the difference between capitalism and socialism. **(4 marks)**
09. Explain the need to have a foreign exchange market. A company has exported 300 Kgs of Sugar at an international price of US\$8 per Kilogram. If the exchange rate will be US\$1 for FRW 860, how much is the company expected to receive in FRW? **(3 marks)**
10. Define a monopoly and give two characteristics of it. **(3 marks)**
11. Explain the difference between a normal good and an inferior good. **(2 marks)**

12. Briefly explain the components of a balance of payments and state two strategies a country can adopt to overcome the deterioration in the trade account. **(3 marks)**
13. Explain the demand for money and provide two motives for holding cash. **(4 marks)**
14. Provide three factors that affect the demand for money. **(3 marks)**
15. Explain the money supply. **(2 marks)**
16. If the economy cash ratio is 25% (or the reserve requirement), how much shall be total deposit created by a deposit of 400,000 FRW? What is the deposit multiplier? **(3 marks)**
17. Provide the difference between Gross Domestic Product and Gross National Product. **(3 marks)**

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

45 marks

18. a) What is income inequality? Provide four (4) causes of income inequality in less developed countries.
- b) Table 1 below shows some of the items in a country's National Income and Product Accounts in 2015.

TABLE 1

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

- i) Use the expenditure approach to calculate the country's GDP in 2015.
- ii) What was the country's GDP as measured by the income approach in 2015?

iii) By how much did gross domestic product and net domestic product differ in 2015?

iv) Calculate the country's GNP and its National Income in 2015.

(15 marks)

19. Discuss any ten (10) determinants of quantity supplied of a commodity.

(15marks)

20. How do we measure changes in the cost of living in a country? Consider an economy that produces four goods as given in the table below and answer the following questions (take 2015 as the base year):

Product	Quantity		Price	
	2015	2016	2015	2016
A	100	110	\$20	\$22
B	80	100	\$18	\$17
C	200	202	\$15	\$15
D	50	30	\$25	\$30

(a) Calculate the unweighted aggregate price index for 2015 to 2016

(b) Calculate Paasche price index for 2015 to 2016

(c) Estimate Laspeyres price index for 2015 to 2016

(15 marks)

21. 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 solutions to those problems.

(15 marks)

22. 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 success of economic integration. Outline the advantages and disadvantages of economic integration.

(15 marks)

tariffs