ECONOMICS II 018	**REB**
22/11/ 2018 2PM – 5PM	Rwanda Education Board

ADVANCED LEVEL NATIONAL EXAMINATIONS 2018

SUBJECT : ECONOMICS II

PAPER II : APPLICATION OF BASIC PRINCIPLES OF ECONOMICS

COMBINATIONS:

- HISTORY- ECONOMICS-GEOGRAPHY : (HEG)
- HISTORY- ECONOMICS-LITERATURE : (HEL)
- LITERATURE- ECONOMICS-GEOGRAPHY : (LEG)
- MATHEMATICS-ECONOMICS-GEOGRAPHY:(MEG)
- MATHEMATICS-COMPUTER SCIENCE-ECONOMICS: (MCE)

DURATION: 3 HOURS

INSTRUCTIONS:

1) Write your names and index number on your answer booklet as they appear on your registration form and **DO NOT** write your names and index number on additional sheets of paper if provided.

2) Do not open this question paper until you are told to do so.

3) This paper consists of **TWO** sections:**A** and **B**.

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

   Section B: Attempt **any THREE** questions.   (45 marks)

4) Use only a **blue** or **black** pen.

SECTION A: ATTEMPT ALL QUESTIONS (55 Marks)

1) Explain the importance of having economics knowledge for:
   (a) Households.   **(2marks)**
   (b) Firms.   **(2marks)**

2) In two convincing arguments, show how any government should apply the knowledge of the concept of elasticity of supply in real economic life.   **(5marks)**

3) a) Match the elements in column A with those of column B.   **(5marks)**

A	B
1) Entrepreneurship	a. The environmental resources
2) Free enterprise	b. The risk taking resource
3) Capital	c. Mental and physical efforts of people applied to production of goods and services.
4) Labour	d. Individuals own businesses to make profits.
5) Land	e. Money, buildings, machinery and equipment used to produce goods and services.

4) Read the paragraph below and answer the questions that follow:

A producer has been producing and selling his product X for four years. He sold X at 600FRw, 1000FRW/kg for the year 2014, 2015 respectively. During the two years, the demand remained the same i.e Q=70,000kg and the government decided to provide a subsidy to increase the production of X product in 2016. During the year 2017 the producer reduced the price to 800FRW/kg and the producer sold 100,000kg.

   (a) Represent this situation graphically and show the demand and supply curve with letters D and S respectively.   **(2marks)**

   (b) Show on the graph the area of benefit of consumers after the subsidy.   **(1mark)**

(c) Show on the graph the area of benefit of the supplier after
the subsidy. **(1mark)**

(d) Calculate the price elasticity of demand for X product between
2016 and 2017. **(2marks)**

5) Explain why companies amalgamate. **(5marks)**

6) Briefly explain any three ways used by Rwandan oligopolistic firms
to win markets without price wars. **(3marks)**

7) Explain how the government policy of taxation and subsidization
affect National income levels. **(6marks)**

8) (a) What is "frictional unemployment"? **(1mark)**

(b) What are the main causes of frictional unemployment? **(2marks)**

(c) Suggest any two solutions to frictional unemployment. **(2marks)**

9) (a) Explain the following trade protectionism tools:

(i) Quotas **(2marks)**

(ii) Embargo **(2marks)**

10) How is monetary policy being applied in Rwanda? **(6marks)**

11) Analyze the importance of localization of firms for the population
living in an area. **(6marks)**

SECTIONB: ATTEMPT ONLY THREE QUESTIONS (45Marks)

12) Briefly explain East African Community's Economic, social and
technical achievements which are profitable to Rwanda. **(15marks)**

13) Discuss the effects of globalization on different economies. **(15marks)**

14) (a) Briefly differentiate between "Economic growth" and
"Economic development". **(3marks)**

(b) Assess obstacles to rapid economic growth in developing
countries.

(12marks)

15)(a) Country B is in a period of budget execution. It realizes
that the expected revenue is greater than the received revenue
and the available budget. It prefers to take a loan from the
International Monetary Fund rather than postpone some of its
projects. What problems is country B likely to meet because
of the loan? **(7marks)**

(b) Discuss the problems that can be met by country B in
case it implements the policy of increasing taxes and cuts
the government expenditure to finance its budget deficit. **(8marks)**

16)(a) Show the importance of agriculture in Rwanda's economy. **(8marks)**

(b) What problems are faced by the agricultural sector in Rwanda? **(7marks)**