

**REPUBLIC OF RWANDA**

**KIGALI CITY**

**CLASS: SENIOR S.6MEG**

**KICUKIRO DISTRICT**

**ES KANOMBE/EFOTEC**

**DURATION: 3 HOURS**

**DATE: 8<sup>th</sup> APRIL, 2021**

**HOLIDAY EXAMINATION**

**ECONOMICS EXAMINATION PAPER I**

- INSTRUCTIONS:** - - Try to use facts and examples where necessary  
-Section **A** is **compulsory**.  
-Attempt any **three** questions on section **B**.

1.i) Briefly explain what a free market is.**2marks**

ii)Identify any four advantages and disadvantages of a free market economy.**8marks**

2.Explain why normal demand curves slope from left to right?**6marks**

3.The following data refer to a hypothetical closed economy where money price, wage rates and the rate of interest are considered constant:

-Consumption spending is  $C=0.8Y$

-Investment spending is  $I=600$  million

-Government spending is  $G=2400$

-Income tax is  $T=0.2Y$

a) Calculate the equilibrium level of income. **2marks**

b) Calculate the amount of budget deficit.**2marks**

4.The following functions represent the demand and supply of two commodities:

$$Q_{d1}=145-2P_1+P_2$$

$$Q_{s1}=45+P_2$$

$$Q_{d2}=30+P_1-2P_2$$

$$Q_{s2}=40+5P_2$$

Required: I) Compute the equilibrium prices and quantities of two commodities. **4marks**

5. At the school's sports day, participating students were provided with boxes of drinking water. They were to take this water after participating. Muzamiru, a participant for Leopard House with too much thirst after participating, was given a box of water but as he drank, he observed a decreasing utility or need for the next bottle. In measuring this utility gained from taking a bottle, he used a subjective measure of utils and developed a Mathematical relationship below: **5marks**

$$U=12B-B^2$$

Where; U is utility in utils

B is the number of bottles taken.

- a) What is the number of bottles that give him maximum satisfaction or utility?
- b) Under which conditions would his utility be zero?
- c) Find the utility level he is to gain when he takes 10 bottles.
- d) Can he finish the box of 24 bottles?
- e) What is the marginal utility from taking the fifth bottle?

6.i) What is meant by a budget line? **2marks**

I i) Discuss the assumptions of the budget line. **4marks**

7.i) What abnormal supply curve is? **2marks**

ii) Explain different forms of abnormal supply curves. **6marks**

8. When the price of sugar increased from 1200 to 1500 Rwf. The quantity demanded decreased by 25%.

i) Calculate the elasticity of demand. **4marks**

ii) What form of elasticity does the commodity have and why? **2marks**

9. Study the table below and answer the questions that follow:

COUNTRY	RESOURCES	MAIZE(tons)	SUGAR(tons)
RWANDA	5 000	20 000	15 000
TANZANIA	5 000	15 000	5 000

Calculate the comparative advantage of the two countries and state the commodity that the two countries should concentrate on production. 6marks

## SECTION B

Attempt only three questions:

10. a) What incidence of tax is? **3marks**

b) To what extent is it related to elasticity of demand? **12marks**

11.i) What is meant by inflation? **3marks**

ii) "Excessive demand and rising costs of production are no longer adequate to explain inflationary tendencies in the world today". Discuss. **12marks**

12.i) Define the term devaluation of currency. **2 marks**

ii) When and why is devaluation carried out? **8 marks**

iii) How is devaluation of a currency supposed to cure an economy's balance of payments current account deficit? **7marks**

13.i) What is meant by inferior good? **3marks**

ii) Study the information in table on commodity W, X, Y and Z and answer questions which follow: **12marks**

YEAR	INCOME Rwf/year	Quantity demanded (kgs per year)			
		W	X	Y	Z
1994	40 000	120 000	150 000	100 000	80 000
1995	100 000	150 000	450 000	100 000	40 000

i) Calculate income elasticity for each commodity from 1994 to 1995.

ii) Describe the type of income elasticity for each commodity.

iii) What type of goods are they?

**May God bless you!!!!!!!!!!!!!!!!!!!!**