

**REPUBLIC OF RWANDA**

**KIGALI CITY**

**CLASS: SENIOR S.4MEG**

**KICUKIRO DISTRICT**

**ES KANOMBE/EFOTEC**

**DURATION: 3 HOURS**

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

**HOLIDAY EXAMINATION**

1a) What do you understand by the term 'resources'

1mk

b) Give any four forms of resources

3mks

2. Explain the importance of having economics knowledge for:

a) Households

b) Firms

3. In two convincing arguments, show how any government should apply the knowledge of the concept of elasticity of supply in real economic life.

5mks

4. Match the elements in column A with those of column B.

5mks

A	B
1. Entrepreneurship	a) The environmental resources
2. Free enterprise	b) The risk taking resources
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.  $Q=70\,000\text{kg}$  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.
- b) Show on the graph the area of benefit of consumers after the subsidy.
- c) Show on the graph the area of benefit of the supplier after the subsidy.
- d) Calculate the price elasticity of demand for X product between 2016 and 2017.

6. In the agricultural sector, prices are constantly changing. During the planting season, prices of agricultural products are high and become low during the harvest. When the supply is high, prices are low.

- a) Explain the causes of this price instability in this production area.

10mks

- b) Explain how this price instability can be controlled.

5mks

7. Explain how:

- a) Individual income determines consumer demand

2mks

- b) Future expectations, determine consumer demand

2mks

- 8a) What does cross elasticity of demand mean?

1mk

- bi) Calculate the cross elasticity of demand for commodity Y

2mks

Year	Price of commodity (in francs)	Quantity demanded of commodity Y (in kg)
2019	12 000	300 000
2020	10 000	500 000

- ii) State the relationship between commodities X and Y.

**Enjoy your holidays**