SENIOR FOUR

ECONOMICS TEST

Instructions: Attempt all questions in both sections.

SECTION A

1a) What is a market economy/**2mks**

b) Briefly state the significant features of a market economy/**2mks**

2a) The price of commodity X increased from 20 000rwf to 40 000rwf leading to a decrease in its quantity demanded by 20%.

    i)   Calculate price elasticity of demand/**2mks**
    ii)   Interpret the elasticity/**1mk**

b) Explain the relationship between scarcity, choice and opportunity cost/**3mks**

3a) Define the water-diamond paradox/**2mks**

b) Explain the reason why the price of diamond higher than that of water/**2mks**

4a) What is a public good/**2mks**

b) Explain any three characteristics of public goods/**3mks**

5a) Distinguish between wealth and welfare/**4mks**

b) State any two qualities of economic goods/**2mks**

6a) Differentiate between Equilibrium price and Market price/**4mks**

b) Given that:

Qs=124+1.25P

Qd=189-2.25p

Find equilibrium price and quantity/**4mks**

SECTION B

7. Assuming Rwanda can produce the following combinations of potatoes and milk.

	Possible combinations					
Potatoes(in million tones)	0	10	20	30	40	50
Milk(in million litres)	65	60	55	45	40	0

a) Draw the production possibility frontier/**2mks**

b) Show what would happen to the curve if there is technological development allowing Rwanda to produce more milk with the same resources./**2mks**

c) State any two reasons for the shift of PPF outwards from left to right/**2mks**

8a) Define the term demand/**2mks**

b) State the law of demand/**2mks**

c) Explain any three factors that affect the quantity demanded of a commodity./**3mks**

9a) Explain the demand schedule/**2mks**

b) Study the table below and answer the question that follow:

Price of a commodity	Quantity demanded
5	6
10	4
15	2

i) Explain the demand curve/**2mks**

ii) Draw the demand curve using the data in the table above./**2mks**

iii) Calculate the price elasticity of demand if the price increases from 10rwf to 15rwf in the table above./**2mks**

iv)Interpret the elasticity./**1mk**

10a) Define market supply/**2mks**

b) Study the table below;

Price in rwf	Quantitysupplied Supplier A	Quantitysupplied Supplier B
400	20	40
600	25	50

Derive a market supply curve./**3mks**

11a) Differentiate: $Y=2X^7+10X^4-215X+200$ /**2mks**

b) If a firm faces a demand function given by P=120Q-Q Determine the marginal revenue function./**2mks**

12a) With illustration, explain a change in demand./**3mks**

b) Given that the price of cars increased from $2000 to $2500 and this led to a decrease in the quantity of petrol from 200litres to 150litres.

i) Calculate the cross elasticity of demand/**2mks**

ii) What is the nature of commodities./**1mk**

END