

ECONOMICS FOR SENIOR FIVE

ECONOMICS TEST 1

Instructions: Attempt **all** questions in both sections

SECTION A

Questions 1-4, choose the best alternative.

1. The firm under Oligopoly is in equilibrium when:/1mk
 - a) $AC=AR$
 - b) $MC=MR$
 - c) $MC=AC$
 - d) $AR=MR$
2. The firm under Oligopoly earns:/1mk
 - a) Normal profits
 - b) Losses
 - c) Abnormal profits
 - d) None of the above
3. Oligopoly firms operate at/1mk
 - a) Optimum capacity
 - b) Over capacity
 - c) Excess capacity
 - d) Equilibrium point
4. The demand curve under oligopoly is:/1mk
 - a) Elastic
 - b) Inelastic
 - c) Perfectly elastic
 - d) kinked
5. Match the following/8mks

Several sellers	Category a	Monopoly
Few sellers		Perfect competition
Single Sellers		Oligopoly
Many sellers		Monopolistic competition
Monopoly	Category b	Kinked
Perfect competition		Inelastic
Oligopoly		Elastic
Monopolistic competition		Perfectly Elastic

6. Explain the following terms as used in economics/8mks
 - a) Excess capacity
 - b) Optimum firm
 - c) Lamp-sum tax

- d) Limit pricing
- e) Monopsony
- f) Natural monopoly
- g) Dumping
- h) Advalorem tax

SECTION B

7. a) How are market structures categorized?/2mks
 b) What distinguishes different firms in market structures/3mks

8a) Describe the basis of monopoly in Rwanda/3mks

b) Why do you think it is necessary to interfere with monopoly firms in Rwanda./2mks

c) Give example of state monopolies./1mk

9a) Having tackled all market structures in which firms in Rwanda operate, which would you recommend for most effective utilisation of resources and solving macro-economic problems in Rwanda and why?/3mks

b) Due to abnormal profit earned by Colgate, other firms such as Delident, Close up and ABC joined the business. After three months of activity, they realised that what they used for starting business is what they all earned.

i) Describe the nature of their earnings/2mks

ii) Explain reasons for such a nature of their earnings/2mks

iii) Illustrate the above information on the graph/2mks

10a) With illustration, distinguish between break even point and shut down point of a firm./3mks

b) Illustrate how profit is maximized under Oligopoly/3mks

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GOOD LUCK.

ECONOMICS TEST 2

Attempt all questions

Maximum: 50mks

1a) Explain the following terms:/8mks

- i) Real flow
- ii) Money flow
- iii) Nominal income
- iv) Real income
- v) Net factor income from abroad
- vi) Personal income
- vii) Disposable income
- viii) Income disparity

b) Explain how the following contribute to inaccurate national income statistics:/2mks

- i) Non- monetary output
- ii) Double counting

2a) Differentiate between transfer payment and transfer earning/2mks

b) State any two examples of transfer payments./2mks

c) Why does transfer payments not included in the calculation of national income?/2mks

3a) Explain the methods used to measure national income./3mks

b) Which one of the methods would you recommend to be used in Rwanda in measuring national income and why?/2mks

c) Muhire a farmer of Nyagatare district sold a sac of 50kg of rice to a trader of Kigali at rwf 10 000, a trader sold them at rwf 15 000 to MINIMEX which turned them to flour and it to a retailer in Remera at rwf 22 000 and a retailer sold it to Mugisha at rwf 25000, Calculate the value added on the commodity./2mks

d) Why would the three approaches yield identical results./2mks

4a) Define per capita income/2mks

b) Study the table below:

Countries	Gross National Product(In \$ million)	Population(In million people)
Z	1400	22
X	850	18

Calculate the per capita income of countries Z and X/**4mks**

c) Why does a country compile national income figures?/**3mks**

5a) Given that Rwanda's GDP is 64 billion francs and her exports are 3 billion while her imports are 7 billion. Find her GNP./**2mks**

b) Given that Rwanda's GNP is 17 billion francs, GDP is 15 billion, imports are 9 billion, calculate her exports./**2mks**

6a) The Rwandan GDP is 12 billion francs, her exports and imports are 4 billion and 3 billion respectively. Depreciation cost involved equal to 3 billion, calculate NNP./**2mks**

b) Given that the value of imports is 4 million, taxes equal to 3 million, depreciation is 5 million, exports is 2 million, subsidies is 2 million and GDP_{fc} is 15 million, Calculate NNP_{mp} ./**3mks**

7a) Explain the ways that show that national income is at equilibrium/**2mks**

b) In which ways may disequilibrium of national income occur?/**2mks**

c) Explain 3 policy measures adopted to close inflationary gap./**3mks**

SUCCESS

ECONOMICS TEST 3

MAXIMUM MARK: 50

Attempt **all** questions.

SECTION A

1. Examine reasons why some people in Rwanda do not want to work/**2mks**
2. Why is it difficult to get all people in Rwanda employed?/**2mks**
3. What do you think the Rwandan government should do to reduce the unemployment problem?/**3mks**
4. How has the unemployment problem affected the development process in Rwanda?/**2mks**
5. With reference to Rwanda, critically assess the Keynesian theory of unemployment./**2mks**
6. In your views what are the pull factors for rural-urban migration and how can curb down the rural-urban migration. /**3mks**
7. Explain the ways how the government may influence the level of economic activity in the country./**2mks**
 - (b) Explain the different ways through which the government raises its revenue./**3mks**
8. Distinguish between a deficit budget and a surplus budget./**4mks**
9. Explain the following terms as used in public finance./**8mks**
 - (a) Public debt.
 - (b) Internal debt
 - (c) Reproductive debt
 - (d) Dead weight debt
 - (e) Funded debt
 - (f) Unfunded debt
 - (g) Long term debt.
 - (h) Debt servicing

SECTION B

10a) Analyse the reasons why taxable revenue is always low in developing economies./5mks

b) Suggest policy measures that can be taken to improve the taxable collections of the economy/5mks.

11a) Analyse the effect that decrease in tax rates and expansion of government spending may have on the economy/4mks.

b) Distinguish between horizontal equity Vertical equity as used in taxation/2mks.

c) Explain how the fiscal policy can be used to influence the level of economic activity in the country./3mks

GOOD LUCK.

ECONOMICS TEST

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

Commodity	Price 2014	Price 2016	weights	SPI 2014	SPI 2016	Weighted index
Sugar	100	200	3	100		
Salt	20	30	1	100		
Rice	100	150	5	100		
Fish	50	30	2	100		

Calculate;

- i. The Simple Price Index for 2016
- ii. Weighted index
- iii. Simple cost of living index for 2016
- iv. Average weighted index for 2016

N.B. Interpret your findings

2a) If the initial increase in capital investment was 20 million francs and this bought a final increase in total expenditure of 100 million francs, calculate multiplier.

b) Given that MPS is 0.2, find the MPC and determine the magnitude of the multiplier. Interpret your answer.

3a) Given that the marginal propensity to consume is 0.75, calculate the size of multiplier. Interpret your answer.

b) Given that as a result of increase in investment expenditure from 20 million francs to 60 million francs, national income increased from 3000 million francs to 7000 million francs. What is the investment multiplier?

4a) Given that government expenditure in an economy is increased by 100 million, where the MPC is 0.8. Find the final change in national income.

b) Given that MPS is 0.2, find the MPC and determine the magnitude of the multiplier.

5a) Given MPC is 70%, find MPS.

b) Calculate the magnitude of the multiplier where MPC is 40%.

6a) Given that the multiplier in an economy is 2 and the final level of income is 100 million. Find the MPS and change in expenditure

b) If consumption of beans increases from 15 kg to 22 kg and increase in investment moves from 100Frw to 150Frw. Calculate the accelerator principle.

7a) Distinguish between

- i) Fiduciary issue and fiat money.
- ii) Liquidity trap and liquidity preference
- iii) Money supply and demand for money.

b) Explain the levels of money supply.

8a) Explain the quantity theory of money.

b) Assuming the level of transactions is 200, the velocity of money is 40 and money supply is 600. Calculate the price levels in an economy.

c) If money supply is increased from 600 to 1200. Calculate the general price levels and tell what is happening to money value.

9a) Explain how increase in money supply and government spending affect output in the long run.

b) Explain any 3 inapplicability of the Fisher's theory of exchange.

GOOD LUCK