

**ECONOMICS**

**SENIOR FIVE END OF YEAR EXAMINATIONS, 2021**

**SUBJECT: ECONOMICS**

**DURATION: 2 HOURS**

**INSTRUCTIONS:**

1. Write your names and class on the answer booklet
2. Do not open this question paper until you are told to do so.
3. Attempt **all** questions in this paper**.**

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

**SECTION A: ALL QUESTIONS ARE COMPULSARY/(55marks)**

1. Answer by True(T) or False(F) **(5marks)**

a) Commercial Banks can take loan from the central bank.

b) When aggregate demand and aggregate supply are equal at below full  
 employment level, it is called under-employment equilibrium.

c) Anything that serves as a medium of exchange is money.

d) Central banks have the power to create credit on the basis of deposits they receive.

e) When the commercial bank raises cash reserve ratio(CRR) and statutory liquidity ratio(SLR) less money is left with central bank for lending.

2. In perfect competition market the demand curve of a firm is perfectly elastic,

the price tends to be constant. Basing on information given above and skills you have on perfect competition market, answer to the following questions:

1. What will happen if one firm increases the price above the market price?  **(1mark)**

1. What will happen if one firm reduces the price below the market price? **(1mark)**
2. Illustrate the demand curve of a firm in perfect competition market **(2marks)**
3. What is the relationship between marginal and average cost in this market?  **(1mark)**

3. Explain at least five measures of controlling monopoly. **(5marks)**

4. Why do developing countries prefer to use the output approach to measure national income? **(5marks)**

5. What are the causes of low per capita income in Rwanda? **(5marks)**

6.a) What is meant by the term “credit creation”? **(1mark)**

b) What are factors that limit commercial banks to create credits? **(4marks)**

7) The government of Rwanda needs to expand its revenue in order to increase infrastructures and the welfare of Rwandans. As economist suggest at least five possible ways Rwanda government can pass through to satisfy its need. **(5marks)**

8.a) What is demand -pull inflation? **(1mark)**

b) Your country is suffering from demand –pull inflation. As economist suggest to your country at least four policy measures to curb this problem. **(4 marks)**

1. Distinguish the following terms:

a) Overpopulation and under population. **(2marks)**

b) Population density and population distribution. **(2marks)**

c) Demography and migration. **(2marks)**

10. Explain how the following have been contributing to the unemployment in Rwanda.

a) Poor education system **(2marks)**

b) Overexploitation of land **(2marks)**

**SECTION B: ATTEMPT ANY THREE QUESTIONS ONLY. / 45MARKS**

11.Given a table below which shows hypothetical basket of purchases

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Articles | Year prices in $ | Year 2 price  S in $ | Price relative | Price increase |
| Fish | 1.20 | 1.60 | - | - |
| Rice | 0.80 | 1.20 | - | - |
| Beans | 0.40 | 0.50 | - | - |
| Salt | 0.60 | 0.30 | - | - |
|  |  |  | - | - |

1. Fill in the blankets and find the price change of each commodity. **(8marks)**
2. Find the average price change **(1marks)**
3. What are the problems met while compiling index numbers? **(6marks)**

12. a) Distinguish between demand for money and money supply. **(4marks)**

b) Explain the quantity theory of money (expressed by Irving Fisher). **(5marks)**

c) Show the limitation of the quantity theory of money. **(6marks)**

13.a) Identify the hindrances to investment capacity in Rwanda. **(8marks)**

b) If you are in charge of investment in Rwanda, what policy measure would you put forward to attract investments in Rwanda? **(7marks)**

14.A country B’s economic growth rate of 7.5% in 2010 was its highest since 1986. This was achieved, in part, by the government’s expansionary fiscal policy. The rapid increase in output helped to reduce absolute poverty, relative poverty and unemployment. It also raised living standards in the country.

a) What is the difference between absolute poverty and relative poverty? **(2marks)**   
b) Explain any four economic advantages of a fall in unemployment. **(8marks)**  
c) Analyze how fiscal policy may reduce unemployment. **(5marks)**

15.a) Why do you think some people may refuse to work even when jobs are available?

**(7marks).**

b) Why do you think it may get difficult to have all people employed in Rwanda? **(8marks)**

16. a) Explain the problems that are facing taxation system in Rwanda. **(7marks)**

b) Suggest possible policy measures to be undertaken by our country to improve tax collection in Rwanda. **(8marks)**