

**ECONOMICS**

**SENIOR FOUR 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. 6) Use a **blue** or **black** pen

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

1.Answer by true(T) or False according to the information given. **(4marks)**

1. We cannot talk about economics without scarcity, wants and needs.
2. Since resources abundant and available in environment, overexploitation of them leads to economic development.
3. Air and water are important things naturally supplied by God, we get them freely and they cannot be transformed in economic goods.
4. Economic public goods are owned collectively. They are only supplied by the government.
5. Classify the following into microeconomics or into macroeconomics: **(5marks)**

a) Individual demand; b) Inflation, c) Aggregate supply; d) Employment; e) Rent; f) Profits; g) Price; g) Balance of payment; i) Taxation policy; wages.

1. a) State any two features of resources that give rise to an economic problem.

  **(2marks)**

b) Distinguish between final goods and intermediate goods. Give an example of each.

 **(3marks)**

4. Suppose you have a big amount of money, a capital to invest. You think about different alternatives of projects to invest in. As an economist discuss what major economic questions you have to think about before taking decision of which project to run? **(5 marks)**

 5. Explain the effect of the following on the supply of a commodity:

a) Fall in the prices of factor inputs. **(2marks)**

b) Rise in the prices of other commodities. **(2marks)**

6. Study the following diagram and answer to the following questions



a) At which point is the consumer in equilibrium? **(1mark)**

b) Why the consumer’s equilibrium is not at point C or D while they are affordable by him or her? **(3marks)**

 c)What are the equilibrium quantity of X and Y? **(2marks)**

7.Paul is a farmer. He produces rice. He targets to get more money from his expected increased output this season. The following are different factors than can affect his target. Classify them into endogenous and exogenous factors: **(5marks)**

a) Fertilizers,

b) Climate change

c) The number of rice’s consumers

d) The price of rice

e) The size of land where rice is grown.

8) Analyze the factors that may lead to the violation of the law of supply.     **(6marks)**

9) Explain the relationship between marginal revenue and average revenue when a firm is able to sell more quantity of output:

i) At the same price. **(2marks)**

ii) Only by lowering the price. **(2marks)**

10.a) Distinguish between elasticity of demand and price elasticity of demand.

  **(2marks)**

b) Explain the relevance of the concept of price elasticity of demand to government

 **(3marks)**

11. With an aid of an illustration, explain the law of diminishing returns. **(6marks)**

**SCTION B: ATTEMPT ANY THREE QUESTIONS OF YOUR COICE.** / **(45MARKS)**

 12.a) Describe the different capacities of resource utilization by firms.  **(7marks)**

 b) Why do firms operate on excess capacity? **(8marks)**

13. A producer of cake sold them on 80frw one. He has shift the price from 80 FRW to 60FRW predicting that sales of cakes will increase from 1500 cakes to 2500 cakes per week.

a) Calculate the price elasticity of demand for cake. **(3marks)**

b) Is this expectation profitable for the cake producer? Explain your answer. **(4marks)**

c) Using a graphical representation show the profitability of this price decrease. **(4marks)**

d) Mathematically, show the profitability of the cake producer expectation. **(4marks)**

14.Study the information in the table below and answer the questions that follow.

|  |  |  |
| --- | --- | --- |
| Units consumed | Total utility | Marginal utility |
| 1 | 20 | - |
| 2 | 25 | - |
| 3 | 28 | - |
| 4 | 28 | - |
| 5 | 26 | - |
| 6 | 22 | - |

1. Complete the marginal utility columnand make a brief explication of the results

 **(5marks)**

1. Study the new data and show the relationship between Total

 utility and Marginal utility. **(3marks)**

1. Why is total utility declining after the 4th unit?  **(2marks)**
2. Illustrate TU and MU using the given information (data) **(5marks)**

15.a) What is price mechanism? **(1mark)**

b) Examine the arguments for and against price mechanism. **(14marks)**

16. Describe the role of entrepreneur in the development process of a country.

 **(15marks)**