ECONOMICS I
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25/07/2024 8:30 AM -11:30 AM

NESA NATIONAL EXAMINATION AND SCHOOL INSPECTION AUTHORITY

ADVANCED LEVEL NATIONAL EXAMINATIONS, 2023-2024

SUBJECT: ECONOMICS I

PAPER I: BASIC PRINCIPLES OF ECONOMICS

COMBINATIONS:

- HISTORY–ECONOMICS- GEOGRAPHY **(HEG)**
- HISTORY–ECONOMICS- LITERATURE IN ENGLISH **(HEL)**
- MATHEMATICS –ECONOMICS- GEOGRAPHY **(MEG)**
- LITERATURE IN ENGLISH-ECONOMICS- GEOGRAPHY **(LEG)**
- MATHEMATICS-COMPUTER SCIENCE-ECONOMICS **(MCE)**

DURATION: 3 HOURS

Instructions to candidates:

1) Write your names and index number on your answer booklet as they appear on your registration form and **DO NOT** write your names and index number on additional answer sheets if provided.
2) Do not open this question paper until you are told to do so.
3) This paper consists of **Two** sections: **A** and **B.**
   Section A: Attempt **ALL** questions. **(55 marks)**
   Section B: Attempt any **THREE** questions only. **(45 marks)**
4) Candidates must give explanations with relevant examples where necessary.
5) Use only a **blue** or **black** pen.

Section A: Attempt all questions. (55 marks)

1) Choose the best answer among the alternatives given. **(5 marks)**

i) Which one of the following is an example of financial input of production?

a) Profit
b) Capital
c) Money
d) Labour

ii) Which one is the period of time in which a firm can vary any of its inputs within a given technology of production?

a) Long run
b) Very-short run
c) Short run
d) Very-long run

iii) What is happening if marginal cost is rising?

a) Average fixed cost is rising
b) Marginal product is falling
c) Average variable cost is rising
d) Average total cost is rising

iv) In the short run, when capital is a fixed factor of production, what will be the effect of a rise in the cost of labour ?

a) Shifts the AVC curve down
b) Leaves the MC curve unchanged
c) Shifts the total product curve downwards
d) Shifts the marginal cost curve upwards

v) When total product is at a maximum, which one of the following is true?

a) Marginal product is greater than zero and is falling
b) Marginal product is falling and equals to zero
c) Average product is rising and lies above marginal product
d) Average product is falling and equals to zero

2) Match the types of globalization in column **I** with their respective explanations in column **II**. **(5 marks)**

Column I	**Column II**
1.Economic globalization	A. The connection between nations through technology such as television, radio, telephones, internet, etc.
2.Financial globalization	B. A growing belief that we are all global citizens and should all be held to the same standards – and have the same rights.
3.Cultural globalization	C. Can be linked with the rise of a global financial system with international financial exchanges and monetary exchanges.
4.Sociological globalization	D. The development of trade systems within transnational actors such as corporations or NGOs.
5.Technological globalization	E. This global flow of ideas, knowledge and values is likely to flatten out cultural differences between nations, regions and individuals.

3) Answer **true**(T) or **false**(F) **(5 marks)**

i) By solving the proportion equation: $\frac{3}{5} = \frac{x}{10}$, the value of x is 5.

ii) This function(Qd **=** a - bP) is a linear demand function. In this function the coefficient **b** represents the slope of the demand curve.

iii) In this firm's total cost function (TC = a + bQ), where (TC) represents total cost and (Q) represents quantity produced and the coefficient **b** represents the variable cost per unit of output.

iv) In a linear production function, such as (Q = a + bL), where (Q) represents output and (L) represents labour input and the coefficient **b** represents the total output.

v) In this consumer's utility function U(X, Y) =aX+bY , X and Y represent the quantities of the two goods consumed and the coefficient **a** represents the slope of the consumer's indifference curve.

4) Fill in the blank space with the best term/Concept. **(4 marks)**

a) …………………….is the deliberate government policy of forcing prices upward to recover the economy from a depression.

b) …………………………..is inflation calculated by considering the prices of foodstuffs.

c) The type of inflation that results from supply rigidities/constraints that cause a reduction in supply of goods and services is called……………………

d) Inflation that is caused by speculation among producers who think that prices may rise in the future is called………………………………

5) The following are the stages/ levels of economic integration which are given in a disorganized way. Rearrange them from the lowest to the highest stage of integration. **(5 marks)**
   a) Customs union
   b) Free trade area
   c) Economic union
   d) Common market
   e) Preferential trade agreement

6) Classify the following statements or terms into their most related sectors of Rwandan Economy. **(5 marks)**

Statement/ term	**Sector of Rwandan Economy**
i) Co-existence of wealthy and poor people.	a) Subsistence sector.
ii) Consumer exploitation.	b) Public sector.
iii) Little production is exchanged through bater trade.	c) Informal sector.
iv) Bureaucracy.	d) Dualism.
v) Use of poor technology.	e) Private sector.

7) Define the following terms**:**
   a) Economic growth **(2 marks)**
   b) Economic development **(2 marks)**

8) The data below shows the macroeconomic condition of a hypothetical economy:

C=50+0.8Y

I=100

G=T=75

Where:

C=Consumption expenditures

I=Private Investment spendings

G=Government spendings, and

T=Taxes

i) Calculate the equilibrium level of income of the economy **(3 marks)**

ii) Find the value of multiplier **(1 mark)**

iii) Which type of multiplier do you get from the answer above(ii)? **(1 mark)**

9) Given that Qd =16-2P and Qs = 2+5P are demand and supply functions of the market B.

a) Draw the demand and supply curves on **one** diagram. **(3 marks)**

b) What will be the condition of the market if the price is 4? **(2 marks)**

c) Show the area of market condition found from question b) on the same diagram. **(1 mark)**

10) Given that the total credit created by a commercial Bank is 250,000,000Frw, while the cash ratio is 20%,

a) Calculate the credit multiplier. **(2 marks)**

b) Using two ways, find out the initial deposit from which the total credit was created. **(4 marks)**

11) Choose the best answer among the alternatives given. **(5 marks)**

i) The balanced growth theory can be applied in Rwanda to solve the problem of poverty. In which one of the following ways?

a) By focusing solely on industrial development

b) By prioritizing investment in one sector over others

c) By implementing a top-down approach to economic planning

d) By promoting development across all sectors simultaneously

ii) Which one is the approach aligning with balanced growth theory in addressing the problem of poverty in Rwanda?

a) Implementing integrated development strategies across various sectors

b) Neglecting agriculture and concentrating on urban infrastructure

c) Exclusively investing in education without addressing healthcare

d) Relying solely on foreign aid without domestic initiatives

iii) Which one is a key principle of balanced growth theory relevant to Rwanda's poverty alleviation?

a) Focusing solely on urban development

b) Promoting balanced development across sectors

c) Ignoring human capital investment

d) Relying heavily on natural resource extraction

iv) Which one is the strategy reflecting the essence of balanced growth theory in Rwanda?

a) Concentrating on one export commodity for revenue generation

b) Prioritizing investment in heavy industries over service sectors

c) Promoting investment in multiple sectors to create diverse opportunities

d) Adopting a laissez-faire approach to economic development

v) In application of the balanced growth theory in Rwanda; which one of the following is emphasised to eradicate poverty?

a) Simultaneous development of agriculture, industry, and services

b) Unequal distribution of resources across regions

c) Prioritizing urban areas over rural development

d) Dependence on foreign aid without domestic economic planning

Section B: Attempt any three questions only (45 marks)

12) Ministry of Public Service and Labour (MIFOTRA) sets specific minimum wage in the small formal sector. However, some of the workers earn more salary than others. Because of this, the standard of living and way of life are quite different.

a) What is meant by the term "minimum wage legislation"? **(1 mark)**

b) Examine the causes of wage differentials in Rwanda's economy. **(11 marks)**

c) Explain how the following can be used as ways to reduce wage differentiation in Rwanda:

i) Liberalization of the economy. **(1 mark)**

ii) Controlling population growth. **(1 mark)**

iii) Modernizing agriculture. **(1 mark)**

13) Foreign commercial banks positively contribute to the functioning of the financial sector and the entire economy in Rwanda. Justify the statement. **(15 marks)**

14) Evaluate the factors that determine price elasticity of supply. **(15 marks)**

15) In 2016, the National Institute of Statistics of Rwanda (NISR) in collaboration with the Ministry of Public Services and Labour introduced the Labour Force Survey (L.F.S) in Rwanda. The survey is designed to provide information on labour mobility and labour market indicators.

a) What is meant by labour mobility? **(1 mark)**

b) Differentiate between vertical mobility of labour from horizontal mobility of labour. **(4 marks)**

c) Suppose that you are appointed as an Employment Promotion Officer in your district. Design policy measures that will be solutions to a high rate of labour mobility in your district. **(10 marks)**

16) Developing countries often need to implement policies to manage their balance of payments as most of them face balance of payments deficit.
Suggest policies that can be implemented to overcome balance of payment problems in developing countries. **(15 marks)**

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