

SENGEREMA SECONDARY SCHOOL

ECONOMICS HOME PACKAGE

FORM SIX

DIRECTIVES TO BE FOLLOWED AND NOT TO BE OVERLOOKED BY ALL.

1. All students must prepare the answers properly as in examination format. Make sure work arrangements follow the advised format as it will be part of the marking procedures.
2. Use proper handwriting/ a good handwritten work will attract more marks
3. All students make sure your performance will not be below 80 percent otherwise punishment as agreed.

I. ECONOMIC PAPER 1

1. (a) Elaborate procedures for calculating price indices.
(b) Carefully study table provided below and answer questions that follows.

		2000	2005	
Product	Price	Quantity	Price	Quantity
Sugar	1.65	20kg	5.35	25kg
Beans	3.50	12kg	20.0	70kg
Maize	9.85	20kg	13.75	15kg

- i. Calculate price index using Laspayres and Paasches (use 2000 as base year)
 - ii. Calculate relative weighted price index for year 2005
 - iii. For each case above give economic interpretation of the result above (1)
- (c) Name three essentials of an index number.

2. (a) With vivid examples describes three tools of economic analysis
 (b) Given the following information

Label in PPL	Paddy	Maize
K1	180	1060
K2	280	800
K3	350	540

Required:

- i. Suggest three production possibilities which can be decided by the firm
- ii. Giving explanations, provide relevant ratios in moving from K1 to K2

3. (a) Study carefully the following table and answer the questions that follow

Goods	YEAR 1			YEAR 2		
	Price	Index	Weight	Price	Index	Weight
A	2.00	100	4	2.5	125	4
B	5.00	100	2	6.00	200	2
C	1.00	100	1	0.80	80	1
D	3.00	100	3	6.00	200	3

Determine

- i. The weighted price index for year 1 and 2
- ii. The percentage change in the weighted index over the period
- iii. The change in the value of money on goods over the period

(b) Define price index. Explain problems encountered when compiling price index number (Give six points)

4. (a) Supply curve slope upwards from left to right” Justify this statement by providing five points.

(b) A monopolist firm is facing the following demand and cost function respectively

$$P=140-2Q$$

$$TC = 10 + 5Q^2$$

Where P= price

Q= Quantity

TC = Total cost

Determine:

- i. Profit maximizing output and total revenue maximizing output
- ii. Maximum profit earnable to a firm

- iii. Maximum revenue earnable to a firm
- iv. Total cost (TC) incurred by a firm at maximum profit and
- v. Total cost incurred by a firm at maximum revenue

5. (a) You are given the following data of population of Nyamagana District in 2012 30th May Midnight

AGE GROUP	FEMALES	MALES	TOTAL
0-14	13,837	14,240	28,077
15-59	19,575	19,498	39,073
60-Above	11,378	9,540	20,918

Required:

- i. Comment on the information provided on the above table
 - ii. Calculate the dependency ratio
 - iii. Give economic implication of the ratio in (ii) above
 - iv. Explain why authors has given the reference time
 - v. Calculate se ratio and give economic interpretation
6. (a) Explain the law of return to scale and describe three type of return to scale.
- (b) With illustrations explain the concept of production possibility Boundary (PPB). Use the illustration to explain the concept of:
- i. Scarcity and Choice
 - ii. Opportunity cost
 - iii. Efficiency in Production
 - iv. Economic growth

Note; Use real products produced in Tanzanian economy in your illustration.

7. A firm is operating under conditions of imperfect competitive industry. The cost and revenue are given as follows;

$$TC = 4Q + 10$$

$$AR = 16 - 2Q$$

Where:

TC = Total Cost

AR = Average Revenue

Q = Quantity of Output produced/sold

If this firm is incurring a loss of Tsh 154

(a) Compute the level of output at which the firm is producing

(b) Give six reasons that may have caused this firm to incur losses

8. Dynamic forces operating in an economy create various kinds of economic fluctuations. Explain four types of trade cycle and four features of trade cycle.

9. Briefly write short notes on the following economic terms.

i. Pure oligopoly market

ii. Imperfect oligopoly market

iii. Absolute monopoly

iv. Natural monopoly

v. Price leadership

10. Mr Jacob is an entrepreneur engaging in production and supply of manufactured goods in Tanzania, He is aware that there are fluctuations in the level of the activity he is doing but he is not exactly sure how he will recognize such fluctuations in his business. As an economist help Jacob on how he will recognize fluctuations in his business. Use five points

11. a) What are the main conditions for a firm to reach equilibrium? Use illustrations

b) Illustrate the equilibrium of the firm under perfect market competition.

12. a) An externality producing firm faces a demand function $P_d = 72 - 3Q$ and the marginal private cost (MP_c) = $6 + 3Q$. If the marginal external cost of producing the output is given by $MEC = 3Q - 6$. Determine

i. The equilibrium price and output

ii. The economically efficient output

iii. The marginal social cost (MSC) and the marginal social benefit (MSB)

b) With illustrations show how opportunity cost can be described as increasing, decreasing and when it is constant.

13. a) Analyse the laws of return to scale.

b) Carefully study the table below representing a production function

Units of Capital	Units of Labour	Total Product
4	8	140

8	16	420
16	32	920
32	64	1840
64	128	3680
128	256	7360
256	512	8832
512	1024	9714
1024	2048	10684

- i) Use the table above to indicate the laws of return to scale
- ii) In which period of production does the above production take place? Give reason

14. Around 1990's the government of Tanzania declared on the transfer of ownership, opportunities and assets from public to private firms as the impact of global liberalization in production and trade activities. In six points why do you think the declaration is still important in Tanzania economy?

15. "In modern economies countries are experiencing fluctuations in the values of goods and services". Examining six things to consider when determining changes in the values of goods and services in the economy.

16. "The observation made at Tandale market shows that there have been persistent decrease in the quantities brought to the market consecutively for the last five months. What do you think are the main reasons for this? Use six supporting points.

II. ECONOMICS PAPER 2

QUESTION 1

(a) You are given the following data of country X.

GNP_{fc}=3860 Million Tsh

GDP_{fc}=392 Million Tshs

NNP_{fc}= 3666 Million Tshs

Determine:

- i. Net factor income to the rest of the world
- ii. Net domestic product at factor cost

- iii. Depreciation
- iv. National income

(b) Gross National Product is not satisfactory measure of economic welfare based on this statement explain five factors that affect human welfare but are not included in Gross national product

QUESTION 2

- (a) In five points explain the main forms of income inequality in your country.
- (b) You are given the following statistical information of a country T in year X (figures in millions of Tanzania Shillings)

ITEMS	AMOUNT
Compensation of employees	5,192
Operating surplus	7,984
Consumption of fixed capital	834
Indirect taxes	2,207
Subsides	223
Government final consumption expenditures	2,604
Private Final consumption	11,814
Increase in stock	484
Gross fixed capital formation	3,032
Export of goods and services	3,400
Import of good and services	5,792
Omitted data	452

Derive the GDP at Market price using

- i. The income method
- ii. The expenditure method

QUESTION 3

(a) Given consumption function defined as $C=100+0.8Y$, investment expenditure = 600, government expenditure = 400, export =300, and the value of imports defined by the function $M=160+0.1Y$

- i. Calculate equilibrium national income
- ii. Calculate equilibrium level of consumption and saving
- iii. Calculate the value of net export when this economy is at equilibrium.
- iv. By how much will income change if makes an additional investment expenditures of 200?

(b) With five points explain factor which may cause multiplier not to operate or operate in a negative direction.

QUESTION 4

(a) Examine the five forms of income inequality

(b) Given the following information of Tanzania

$$\text{Consumption spending (c)} = 0.8Y$$

$$\text{Investment Spending (I)} = 600 \text{ Millions}$$

$$\text{Income Tax (T)} = 0.2Y$$

Calculate:

- i. Equilibrium level of income
- ii. Investment multiplier
- iii. Government revenue
- iv. Amount of budget deficit or surplus
- v. Level of consumption

QUESTION 5

(a) Below are the facts for the imaginary economy of the country

$$\text{Autonomous consumption} = \text{Tshs } 6500$$

$$\text{Marginal propensity to save} = 26\%$$

$$\text{Disposable income} = \text{Tshs } 250,000$$

Required:

- i. Summarize the meaning of the term “autonomous consumption”
- ii. Calculate the marginal propensity to consume
- iii. Calculate the level of consumption
- iv. Calculate the level of savings

v. Calculate investment multiplier

(b) With five points show how does the government protect the interest of the poor or weak?

QUESTION 6

(a) Congo and South Sudan are new members of EAC wishing to engage in foreign trade between them. Congo can produce 50 units of rice while South Sudan can produce 30 units of rice. Likewise, Congo can produce 60 Units of beans while South Sudan can produce 50 Units of beans.

Required:

- i. Tabulate the information above
- ii. Which country has absolute advantages in producing rice? Why
- iii. Which country has absolute advantage in producing beans? Why
- iv. Using the theory of David Ricardo show how the two countries will specialize in production of the two commodities.

(b) Describe five arguments that have been put forward in support of protectionism in less developed countries.

QUESTION 7

(a) Winfrida can type 4 pages or prepare 2 pizzas in one hour while her friend Rehema can type 5 pages or prepare 5 pizzas in one hour. Answer the following questions.

- i. With reason(s) who has an absolute advantages in typing?
- ii. With reason who has comparative advantages in typing?
- iii. With reason who has comparative advantage in preparing pizzas?
- iv. Based on (ii) above show the output of typing.
- v. Draw Rehema and Winfrida production possibilities frontier in one graph

(b) Identify five basis of the trade among nations.

QUESTION 8

(a) Discuss the strength of comparative advantage theory (discuss any four points)

(b) Commodity X is produced and consumed in two countries that is country A and B. The supply and demand schedule for commodity X in the two countries is shown as follows:

Price (Tshs)	Country A		Country B	
	SS	DD	SS	DD

1000	100	80	200	100
900	90	90	180	105
800	80	100	160	110
700	75	110	150	115
600	65	120	140	120
500	0	130	125	125

- i. What will be the price of commodity X in country A and B if not trade occurs between the two countries?
- ii. What will be the price if the trade occur but no transport cost is assumed to be involved?
- iii. At this level of price in (ii) above what would be the imports, exports, consumption and production of commodity X in Countries A and B?

QUESTION 9

(a) Describe five arguments against protectionism policy in Tanzania.

(b) Given the hypothetical BOP A/C of country X in 2006 below

CREDIT		DEBIT	
Items	Amount	Items	Amount
Export of goods	550	Import of goods	800
Export of services	150	Import services	50
Receipts from Gift	100	Grant of foreigners	80
Capital selling assets to foreigners	200	Capital repayment from the purchase foreign assets	70

From the table find:

- i. Visible balance
- ii. Invisible balance
- iii. Current accounts
- iv. Capital accounts
- v. Balance of payments

QUESTION 10

a) What is?

- i. Exchange control
- ii. Foreign exchange reserves

b) Briefly explain the four main significance of foreign exchange reserves.

c) Elaborate five objectives of the foreign exchange control system.

QUESTION 11

(a) Given a banking systems with five banks A, B, C, D and E where the initial deposit is Tsh 5,000 and cash ratio is 20%.

- i. Show the process of credit creation
- ii. Calculate total deposit
- iii. Calculate total cash reserve
- iv. Total credit
- v. Credit multiplier

(b) Tanzania Revenue authority is an organ that deals with collection of revenues of country. Suppose you are new employee at TRA of Arusha Region. Explain five problems you may face in collection of tax in Arusha region.

QUESTION 12

(a) How does Bank of Tanzania differ from National Microfinance Bank?

(b) What are the roles of microfinance institutions in economic development?

QUESTION 13

a) Define tax give four framework for evaluating the goodness or badness of tax.

b) Elaborate five differences between bank and non-bank financial institutions

QUESTION 14

Show how the functions of BIT and BET are currently done by TANTRADE. Give six points.

QUESTION 15

(a) Describe the budgeting process of the Tanzania government.

(b) Identify prominent tax system, and suggest which one is the best to be adopted in a developing economy like Tanzania.

QUESTION 16

Prices of agricultural products are unstable compared to those of industrial products. Explain six (6) causes of price fluctuations.

QUESTION 17

Explain the limitations of credit creation approach in explaining change in credit in the banking system. Use six (6) points.

QUESTION 18

There is a debate around the world among economist on whether countries should adopt imperative planning or indicative planning. As a students of economics explain using six (6) points why you could suggest indicative planning over imperative planning in Tanzania.

QUESTION 19

(a) Explain with illustrations the circumstances under which incidence of tax can be shifted under the following conditions;

- i. Passed wholly to the customers
- ii. Distributed equally to customers and producer.
- iii. Passed wholly to producers.
- iv. Is distributed to both consumers and producers but producers bear more burden than consumer.
- v. Is distributed to both consumers and producers but consumers bear more burden than producers.

(b) Explain five possible ways to reduce government expenditures so as to avoid deficit government budget.

QUESTION 20

“When the government formulates economic planning there are several objectives, the government would like to achieve”. Justify this statement by giving out six (6) objectives.