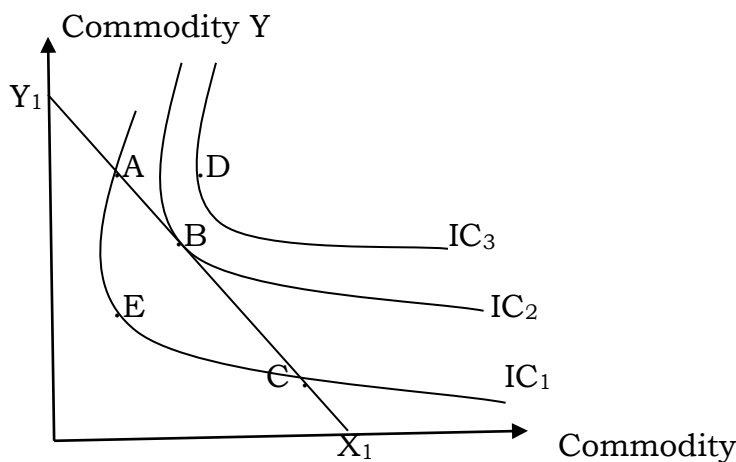


SECTION A (Attempt all questions)/55 marks

1. a) Explain briefly the basic principle of economics **(3Marks)**
b) Give difference between “economic goods and non-economic goods” **(2Marks)**
2. a) Differentiate the following:
i) public goods and private goods **(1Mark)**
ii) merit goods and economic bads **(1Mark)**
b) What are the characteristics of public goods? **(3Marks)**
3. Given the following:
$$Q_s = 179 + 2.25P$$
$$Q_d = 289 - 3.25P$$

Find equilibrium quantity (kg) and price (Rwf). **(3Marks)**
4. a) Explain the term “Multiplier” **(1Mark)**
b) Given that marginal propensity to consume (MPC) is 0.6 and the level of national income is 3 million francs.
Calculate:
(i) the size of multiplier **(1Mark)**
(ii) the final change in income. **(1Mark)**
c) Give any three determinant of aggregate demand. **(3Marks)**
5. a) Explain any two types of Monopoly **(2Marks)**
b) What do you understand by “excess capacity”? **(0.5mark)**
do the monopolists operate under excess capacity? **(1.5Marks)**
6. a) One of the principle of taxation is equity. Differentiate between
(i) Horizontal equity **(1Mark)**
(ii) Vertical equity **(1Mark)**
b) Give and explain any another three canons of taxation **(3Marks)**

7. a) What do you understand by inflation? **(1Mark)**
- b) List out any four causes of inflation in your country **(2Marks)**
8. Give three ways by which an oligopolistic firm can increase sales without changing price. **(3Marks)**
9. a) Establish the relationship among Economic rent, transfer earnings and actual earnings. **(3Marks)**
- b) Given that transfer earning is 10000Rwf and actual earning is twice transfer earning. Calculate economic rent. **(2Marks)**
10. a) What do you understand by “ Monetary policy”? **(1Mark)**
- b) Outline any four objectives of monetary policy. **(2Marks)**
- c) Give and explain any four tools of monetary policy. **(4Marks)**
11. a) Calculate the cross elasticity of demand if the price per unit of commodity x falls from 1000 to 800 Rwf and the quantity demanded of commodity y rises from 20 to 30 unity pr day. **(3Marks)**
- b) How are the two commodities related? **(1Mark)**
12. Study the figure below and answer the questions that follow:



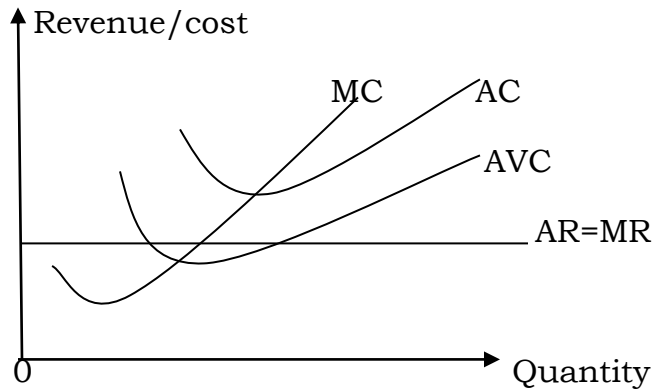
- a) Name the line Y_1X_1 **(1Mark)**
- b) Name the point of consumer's equilibrium. **(1Mark)**
- c) Name other points at which the consumer cannot achieve his/her equilibrium and explain why. **(3Marks)**

SECTION B (Attempt to choose any three)/45marks

13. a) What is meant by a market structure? **(2Marks)**

b) In what type of market structure do consumer have most power and why? **(3Marks)**

c) Study the graph below showing the cost and revenue condition faced by a profit maximizing firm x in production under competition condition



i) Referring to the above graph, does the firm realize profit or loss? Justify by using a graph.

(4Marks)

ii) Give six reasons explaining why the firm may continue production even if it realize a loss.

(6Marks)

14. a. Discuss the reasons why the benefits of international trade are biased in favor of industrialized countries. **(8Marks)**

b) (i)What does rural-urban migration mean?

(2Marks)

(ii)Identify any five negative consequences of rural-urban migration in your country.

(5Marks)

15. a) What do you understand by:

(i) Population growth.

(1Mark)

(ii) Projected population.

(1Mark)

(iii) Birth rate

(1Mark)

- b) With using an illustration explain: under population,
over population and optimum population. **(6Marks)**
- c) Discuss reasons by which we study population in economics. **(6Marks)**
16. a) (i) What is meant by Balance of payment (BOP)? **(2Marks)**
(ii) Explain the causes of Balance of payment problems
in developing countries. **(5Marks)**
- b) Discuss four measures can be taken to solve balance payment
problems in developing countries. **(8Marks)**
17. a) State the law of supply. **(2Marks)**
- b) What are the factors that may lead to a change in quantity
of goods supplied? **(5Marks)**
- c) In which circumstances the demand curves violate
the law of demand? **(3Marks)**
- d) Examine any five reasons by which agricultural products
fluctuate more than prices of industrial products? **(5Marks)**