

# **ECONOMICS**

**Date : 13 June 2024**

**Period : 8H30-11H30**



## **END OF TERM III EXAMINATION QUESTION PAPER**

**GRADE: SENIOR FOUR (S4)**

**LEVEL: ADVANCED**

**OPTION: MEG & MCE**

**DURATION: 3 HOURS**

**MARKS: ..... /100      CAMIS: ..... /70**

### **INSTRUCTIONS**

- 1) Write your names and your number on your answer booklet.
- 2) Do not open this question paper until you are told to do so.
- 3) This paper consists of **two** sections: section **A** and **B**.

- **SECTION A:** Attempt all questions **(55marks)**
- **SECTION B:** Attempt any Three questions **(45marks)**
- Give explanations and relevant examples where necessary.  
Use only a blue or a black pen.

**SECTION A : ALL QUESTIONS ARE COMPULSORY /55 MARKS**

**1)** Find the best answer.

**(5 marks)**

i) By solving this linear equation:  $3(x+2)=21$ , the answer is:

- a)  $x=5$
- b)  $6x=6$
- c)  $x=7$
- d)  $8x=8$

ii) By solving this linear equation:  $4(y+2) =9$ , the answer is:

- a)  $y=8$
- b)  $y=9$
- c)  $y=10$
- d)  $y=11$

iii) By solving this linear equation:  $2(y-3) =5$ , the answer is:

- a)  $y=4$
- b)  $y=5$
- c)  $y=6$
- d)  $y=7$

iv) By solving this linear equation:  $(x-2) +2=3(x+1)$ , the answer is:

- a)  $x = -2$
- b)  $x = -1$
- c)  $x = 0$
- d)  $x = -1.5$

v) By solving this linear equation:  $5x-2(2x-3) =7$ , the answer is:

- a)  $x=4$
- b)  $x=2$
- c)  $x=3$
- d)  $x=1$

**2) Fill in blank space with the best economic term. (4 marks)**

(a) ..... is the study of how individuals, firms, governments, and societies allocate scarce resources to satisfy unlimited wants and needs.

(b).....involves examining the allocation of resources, the behaviour of individuals and firms, the functioning of markets, the role of government policies, and the impact of economic decisions on society.

(c) .....are measurable factors that represent economic quantities and can change over time, such as price levels, unemployment rates, GDP growth rates, inflation rates, and consumer spending.

(d) ..... are defined as factors that originate from outside the system.

**3) Match the following terms with their meanings. (5 marks)**

a) Private goods      I. These are goods which are harmful and dangerous to the society.

b) Merit goods      II. These are goods which are owned and enjoyed individually.

c) Public goods      III. These are goods which can be used as alternatives.

d) Substitute goods      IV. These are goods that are owned and enjoyed collectively.

e) Economic bads      V. These are goods which are essential to the society.

**4) In the H market the demand and supply are represented by the following functions  $Q_s = 110 + 12p$  and  $Q_d = 18p + 92$ . Where  $Q_s$  = supply function ,  $Q_d$  = demand function .**

**i. What is the value equilibrium price ? (2 marks)**

a) The equilibrium price is 13

b) The equilibrium price is 5

c) The equilibrium point is 3

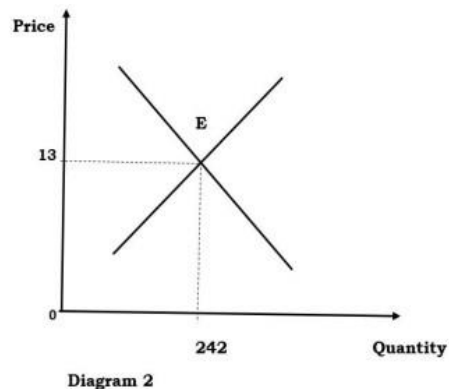
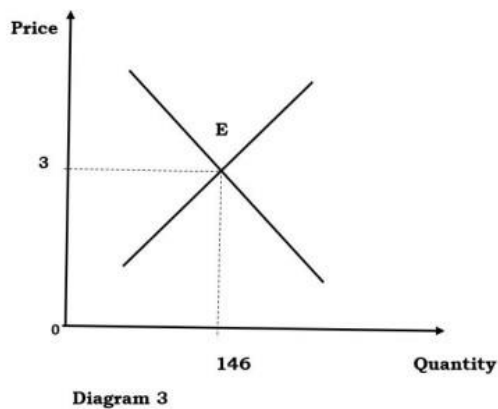
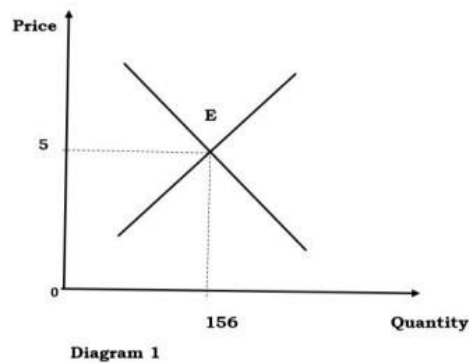
**ii. What is the value equilibrium quantity ? (2 marks)**

a) The equilibrium quantity is 156

b) The equilibrium quantity is 242

c) The equilibrium quantity is 146

iii. Which of the following diagram does illustrate the equilibrium in the market ? **(1 mark)**



**5) Answer by true or false.**

**(4 marks)**

i) If a firm's total variable cost is 800 USD and it produces 10 units, its average variable cost (AVC) is 80USD.

ii) If a firm total fixed cost is 500USD and it produces 50 units, its average fixed cost (AFC) is 25USD.

iii) Average total cost equals average variable cost plus average fixed cost.

iv) A man who repairs shoes has average total cost of 15USD and his average fixed cost (AFC) is 5USD. His average variable cost(AVC) is 10 USD.

**6)** Define the following terms :

a) Scarcity. **(2marks)**

b) Opportunity cost. **(2marks)**

**7)** Differentiate between the following:

a) Elasticity of demand and price elasticity of demand. **(3marks)**

b) Elastic demand and perfect inelastic demand. **(3marks)**

**8)** Explain any three causes of the law of diminishing return. **(6marks)**

**9)** What are the direct effects of the following on the total output of a firm in the short run?

a) An increase in implicit cost. **(2 marks)**

b) A decrease in total variable cost **(2 marks)**

c) An increase in total fixed cost. **(2 marks)**

**10)** Classify the followings concepts in the theory of demand and in the theory of the consumer where they are best utilised. **(6 marks)**

**Concepts** : Inferior good ; Budget line ; Marginal rate of substitution ; necessities ; Point of saturation ; Marginal utility.

**11)** a) What is meant by the term “**supply**” ? **(1 mark)**

b. Explain any four factors that can influence the supply of a commodity on a market. **(3 marks)**

**SECTION B : ATTEMPT ANY THREE QUESTIONS ONLY. (45 marks)**

**12)** a) Define the term “ demand ” **(2 marks)**

b. i) State the law of demand. **(2 marks)**

ii) Under which circumstances may the demand for a commodity not fall despite a rise in its price ? **(5 marks)**

c) Explain how the following factors can determine price:

i) Cost of production. **(2marks)**

ii) Level of competition in the market. **(2 marks)**

iii) Demand and supply of a commodity. **(2 marks)**

**13)** It is important to note that profit itself is not naturally negative, as it serves as a crucial incentive for innovation, investment, and economic growth. However, when pursued without regard for social or environmental consequences, profit-seeking behavior can lead to adverse outcomes.

a. What is meant by profit ? **(1 mark)**

b. Distinguish between gross profit and net profit. **(2 marks)**

c. Evaluate adverse role of profit in economic development of your country.

**(12 marks)**

**14)** P is a local food processing enterprise working in Rwanda, it employs 421 people and maintains contracts with 3,000 farmers. Its good quality products are bought locally and in foreign countries. The owner is one of the biggest entrepreneurs in Rwanda, as other entrepreneurs, he has a big impact in the development of Rwanda.

a) Define the term entrepreneur. **(1mark)**

b) In four ways from the case study, show the importance of P food processing enterprise for people where it is located. **(4 marks)**

c) Assess the impact of entrepreneurs in the development of Rwanda.

**(10 marks)**

**15)** Industrial development in different districts is one of policies for sustainable development in Rwanda. Supposed you are a vice Mayor in charge of economic development in one of districts in Rwanda. In line with the policy, your district is required to prepare a project of localisation of firms for which you are responsible.

a) As the vice Mayor, what do you mean by:

i) "Firm" ? **(1mark)**

ii) Localization of firm **(1mark)**

iii) What is the main objective of firm? **(1mark)**

b) Propose different activities that must be done before establishing firms in your district. **(12 marks)**

**16)** Assuming you are a Minister in charge of finance and economic planning ; suggest to you government on how it can interfere in price mechanism to control its defects in your country ? **(15 marks)**

## **ECONOMICS**

**Date : 13 June 2024**

**Period : 8H30-11H30**



### **END OF TERM III EXAMINATION**

#### **MARKING GUIDE**

**GRADE: SENIOR FOUR (S4)**

**LEVEL: ADVANCED**

**OPTION: MEG & MCE**

**DURATION: 3 HOURS**

**MARKS: ..... /100                      CAMIS: ..... /70**

#### **INSTRUCTIONS**

- 1) Write your names and your number on your answer booklet.
- 2) Do not open this question paper until you are told to do so.
- 3) This paper consists of **two** sections: section **A** and **B**.

- **SECTION A:** Attempt all questions **(55marks)**
- **SECTION B:** Attempt any Three questions **(45marks)**
- Give explanations and relevant examples where necessary.  
Use only a blue or a black pen.





**END OF TERM III EXAM, S4, MARKING GUIDE, 2023-2024**

**1) (1mark x 5= 5marks)**

i)  $x=5$

(ii)  $y=10$

(iii)  $y=6=$

(iv)  $x=-1.5$

(v)  $x=2$

**2. (1 mark X 4 = 4 marks)**

- a) Economics
- b) Economic analysis
- c) Economic variable
- d) Exogenous factors

**3. (1 mark for each X 5 =5marks)**

- a) = II. These are goods which are owned and enjoyed individually.
- b) = V. These are goods which are essential to the society.
- c) = IV. These are goods that are owned and enjoyed collectively.
- d) = III. These are goods which can be used as alternatives.
- e) = I. These are goods which are harmful and dangerous to the society.

4. i)= 3. **(2marks)**

ii) = 146. **(2marks)**

iii)= Diagram 3. **(1mark)**

5. (1mark X4=4marks)

i)=T

ii)=F

iii)=T

iv) =T

6.a) **Scarcity** refers to the limited supply or insufficiency of resources in satisfying the needs of individuals, family or state in relation to unlimited wants. (2marks)

b) **Opportunity** cost refers to the second best alternative foregone when a choice is made. (2marks)

7.a) **Elasticity of demand** is a measure of the degree of responsiveness of quantity demanded of a commodity to changes in factors that affect demand while the **price elasticity of demand** refers to a measure of the degree of the responsiveness of quantity demanded of a commodity to changes in its own price. (3marks)

b) **Inelastic demand means** that a **change in price results into a proportionately smaller change in quantity demanded**, a **bigger** change in price leads to a smaller change in the quantity demanded while perfectly **inelastic demand** means that a change in price results into zero change in quantity demanded. Consumers do not respond to changes in price. They continue to buy the same amount of a commodity that they have been buying before the price changed. (3marks)

8. The law of diminishing returns is caused by the following

- **Fixed factors of production.** All factors of production, land, labour, capital or enterprise cannot be increased every time. If certain factors become fixed, the adjustment of factor of production will be disturbed and the production will not increase at an increasing rate and thus law of diminishing returns will apply.

- **Scarce Factors:** In case of certain factors especially land which is itself limited cannot be increased the law of diminishing return will apply. It may also happen in case of other factors of production. For example, sometimes, labour, especially technical or capital or even entrepreneur cannot be increased in individual cases. As a result, the adjustment of factors of production will be disturbed and the output cannot be achieved at increasing rates.

- **Lack of Perfect Substitutes:** Lack of perfect substitutes of factors of production means that one factor of production cannot be substituted for another factor. Substitute for every factor of production is not always available. In the absence of such substitute, the law of diminishing returns will apply.

- **Optimum Production:** If the perfect adjustment of the factors of production has been made, certainly optimum production will be returned. After this optimum level of production, more and more variable factors will result in less efficient combination of fixed as well as variable factors of production. In other words, this, will reduce the marginal product and hence the law of diminishing returns will operate.

**Any 3 points each is 2 marks = 6marks.**

**9. In the short run :**

a) Implicit cost is basically a social cost that can not be computered in the firm's profit. The increase in implicit cost in the short run doesn't have any effect on output of a firm. **(2marks)**

b) Total variable costs are operating costs. Increase in variable costs leads to increased outputs in the short run. **(2marks)**

c) Total fixed costs are indirect costs that do not change as output changes. Their changes do not affect output. **(2marks)**

**10. (1mark X6=6marks)**

<b>Consumer theory</b>	<b>Theory of demand</b>
Budget line	Inferior good
Marginal rate of substitution	Necessities
Point of saturation	
Marginal utility.	

11. a. **Supply** refers to the amount of goods and services that are available in the market at a given price **(1mark)** or **Supply** refers to the quantity of a good or service that producers are willing and able to provide for sale at a given price.

**b. Factors that influence the supply of a commodity on the market:**

- **Price of the commodity:** the higher the price, the higher the quantity supplied and vice versa, ceteris paribus.

- **Cost and availability of factors of production:** when factors of production are cheap and readily available, producers can produce more and supply increases. But when factors of

production are scarce and expensive, the capacity of producers to produce becomes low and thus supply reduces.

- **The level of technology:** When firms use advanced and more efficient methods of production, the number of commodities produced and brought to the market increases. While if firms use backward and primitive technology, production costs increase, make production more inefficient and lead to a reduction in the capacity of the producers hence reducing supply on the market.

- **Seasonal changes:** When seasonal/ natural factors are favourable supply increases. But when they are unfavourable, supply decreases.

- **The number of producers:** when producers are many, their capacity to produce is high and strong. But when producers are few, supply remains low.

- **Degree of freedom entry of new firms into the industry:** when there is freedom of entry of new firms into the industry supply increases. But restricted entry of new firms keeps supply low.

- **Gestation period:** a long gestation period reduces supply in the current period. While a short gestation period increases supply in the current period.

- **Demand for the commodity:** increase in demand for a commodity makes it more profitable as it will increase its price. On the other hand, a decline in demand for a commodity discourages its production and supply.

**(1 mark for each point well explained X 3 =3marks)**

12. a) Demand is the desire backed by the ability and willingness of a consumer to buy a commodity in a particular market at a given price in a given period of time.

**(2 marks)**

b. i) The law of demand state that, “Ceteris paribus, the higher the price of a commodity, the lower the quantity demanded and the lower the price of commodity, the higher the quantity demanded”.

**(2 marks)**

ii) Circumstances in which the demand for a commodity may not fall despite a rise in its price include;

**(1mark x 5= 5marks)**

- When a commodity is a good of ostentation
- Price expectation

- Ignorance effect
- When the commodity is a giffen good.
- When a commodity is a necessity.
- Presence of habitual consumers such as smokers
- In case of increase in consumer's income.
- Favourable tastes and preferences
- Favourable season
- Reduction in direct taxes
- In case commodities are demanded together

C) These factors can determine price in the following ways:

i) **Cost of production** : producers incur expenses during the production process. High cost of production leads to an increase in price while low cost of production reduces the price of a commodity. **(2marks)**

ii) **Level of competition in the market:** in the market where there are many producers of a similar product, competition is normally high and sellers opt for price reduction so as to sell their commodities easily and vice versa. **(2marks)**

iii) **Demand and supply of a commodity:** Demand and supply influence price of the commodity. When demand exceeds supply, there is a rise in price and when supply exceeds demand there is a fall in the price level. **(2marks)**

13. a. Profit refers to the earnings to an entrepreneur as a factor of production.

**(1mark) or** Profits are a financial gain that are achieved when the revenue generated from a business exceeds the expenses and costs incurred in running that business

b. - Gross profit is the excess of receipts or sales over the cost of goods sold. **(1mark)**

While Net profit refers to the residual profit which is left to the firm after deducting all miscellaneous expenses for the gross profit. **(1mark)**

c. Adverse role of profit in economic development. **(2marks X6=12marks)**

- Companies may prioritize profit over fair wages and safe working conditions, leading to exploitation of workers, particularly in industries with low regulation.

- Profit-seeking activities such as excessive resource extraction, pollution, and deforestation can degrade ecosystems, harm biodiversity, and contribute to climate change, thereby undermining long-term economic sustainability.
- Pursuit of profit may lead to monopolistic practices, where dominant firms engage in anti-competitive behaviour, stifling innovation, limiting consumer choice, and distorting market dynamics.
- Businesses focused solely on maximizing short-term profits may neglect long-term investments in research, development, and infrastructure, hindering overall economic progress and resilience.
- Profit accumulation can worsen income inequality within society, as a disproportionate share of wealth accrues to shareholders, executives, and capital owners, widening the wealth gap and limiting economic mobility.
- Excessive focus on profit in financial markets may lead to financialization, where speculative activities dominate over productive investment, increasing market volatility and reducing the allocation of capital to real economic activities.
- The hunt for profits without ethical constraints can foster corruption and crony capitalism, where businesses engage in bribery, favouritism, and rent-seeking behaviour, undermining trust in institutions and distorting market fairness.
- Profit-driven decision-making may overlook social needs such as healthcare, education, and infrastructure development, hindering human capital formation and societal well-being, which are essential for sustainable economic growth.
- Profit-driven consumerism and planned obsolescence can lead to overconsumption of resources, generation of waste, and depletion of natural capital, posing risks to environmental sustainability and future generations.

- Private hunt for profits may result in underinvestment in public goods such as public transportation, healthcare, and education, which are essential for fostering a productive workforce and enabling inclusive economic development.

-Etc.

14. a) **An entrepreneur** is a person who organises and co-ordinates other factors of production to produce goods and services. An entrepreneur hires labour and land and looks for capital. **(1mark)**

**b) - P food processing enterprise** creates employment opportunities, reduces unemployment rates in its locality.

- it is a direct source of revenue for more 420 people in the area.

- It contributes to agriculture development where it is located.

- It is a market for agricultural products where it is located and in areas nearby.

- The enterprise helps local people to get good quality products. **(1markx4=4marks)**

**c. Impact of entrepreneurs in the development of Rwanda:**

**Positive impact:**

- Entrepreneurs establish businesses that create employment opportunities, reducing unemployment rates and fostering economic stability.

- Through innovation and investment, entrepreneurs stimulate economic growth by creating new industries, increasing productivity, and attracting foreign investment

- Entrepreneurial ventures provide opportunities for individuals to lift themselves out of poverty by creating avenues for income generation and economic empowerment.

- Entrepreneurs introduce innovative solutions and technologies that address local challenges, improve efficiency, and enhance the quality of life for Rwandans.



- Entrepreneurial ventures often offer training and skills development programs, empowering individuals with valuable competencies that contribute to personal and professional growth.
- Entrepreneurial initiatives drive infrastructure development, as businesses require reliable transportation, communication, and utilities, thus contributing to overall societal progress.
- Entrepreneurs often engage in social entrepreneurship, addressing societal issues such as healthcare, education, and environmental sustainability, thereby improving the well-being of communities.
- By establishing diverse businesses across various sectors, entrepreneurs reduce dependency on specific industries, promoting resilience and sustainability in the economy.
- Successful entrepreneurs raise Rwanda's profile on the global stage, attracting investments, partnerships, and opportunities for international collaboration.
- Entrepreneurs serve as role models and sources of inspiration, encouraging others to pursue entrepreneurship, thereby fostering a culture of innovation, risk-taking, and enterprise in Rwanda.
- Etc. **(1mark x5 = 5marks)**

### **Negative impact**

- Some entrepreneurial activities, particularly in sectors like manufacturing and agriculture, can contribute to environmental degradation through pollution, deforestation, and habitat destruction.
- The benefits of entrepreneurial success may not always be distributed equally, leading to widening income gaps between successful entrepreneurs and the rest of the population, exacerbating socio-economic inequality.

- Successful entrepreneurs may monopolise markets, limiting competition and potentially leading to higher prices, reduced consumer choice.
- In some cases, entrepreneurs may exploit labour by paying low wages, offering poor working conditions, or engaging in unethical labour practices, leading to social tensions and human rights abuses.
- Entrepreneurial ventures influenced by globalisation may contribute to the erosion of local cultures and traditions, as they promote standardised products and consumer preferences over indigenous practices.
- Entrepreneurs may exploit natural resources unsustainably, leading to depletion and long-term environmental damage, especially in sectors such as mining and agriculture.
- Entrepreneurial ventures are inherently risky, and if businesses fail, it can lead to financial instability for entrepreneurs, investors, employees, and creditors, affecting livelihoods and economic stability.
- Some entrepreneurs may engage in corrupt practices, such as bribery and nepotism, to gain favourable treatment from government officials or secure business contracts, undermining the rule of law and fostering a culture of corruption.
- Rapid entrepreneurial growth can lead to social disruption, as traditional communities and ways of life may be displaced or marginalised by urbanisation, and cultural shifts.
- Entrepreneurial activities, especially in fast-growing sectors, can strain existing infrastructure such as transportation, energy, and water supply, leading to congestion, pollution, and inadequate public services.
- Etc. **(1mark x 5 = 5marks)**

15. a. i) **Firm** refers to a single business unit or enterprise under one ownership, management and contact. **(1 mark)**

ii) **Localization** of firms is a situation where firms are concentrated /located in a particular area. **(1mark)**

iii) **The main objective of firm** is “ Profits maximization”. **(1mark)**

**b. Conditions to be considered before establishing firms:**

- Develop a comprehensive business plan outlining the firm’s objectives, target market, marketing strategies, operational plan, financial projections, and risk management strategies.
- Conduct thorough market research to understand the demand for products or services, competition landscape, consumer preferences, and market trends.
- Assess the viability of the business concept and identify potential opportunities and challenges.
- To evaluate the firm’s financial requirements and explore available financing options such as bank loans, venture capital, etc.
- Evaluate the local labour market to determine the availability of skilled workers, their qualifications, and wage expectations.
- To adapt a firm's business approach to resonate with local culture and values to build trust and acceptance within the community.
- To follow the process for registering a firm's business.
- To consider adopting energy-efficient technologies, waste reduction strategies and sustainable sourcing practices where feasible.
- Ensure compliance with all legal obligations to avoid fines, penalties, or operational disruptions.
- Etc.

**(2marks x 6 = 12marks)**

16. Price mechanism refers to a system of economic organization in a free enterprise economy where resource allocation and prices in the economy are determined by the forces of demand and supply with little or no government interference. **(2marks)**

Due to the absence of government control, price mechanism normally comes along with **defects which affect the entire economy**. Thus, as a person in charge of finance and economic planning in my country, I Can suggest to my government to interfere with price mechanism to minimise such defects through different ways.

Ways in which government can use to intervene with price mechanism:

- **Set price controls by legislating or fixing prices** of commodities so that they are no longer solely determined by the forces of demand and supply. For example, fixing minimum and maximum prices etc.
- **Set progressive taxation** by taxing the rich more than the poor to raise government revenue so as to provide public utilities to the poor at reduced prices.
- **Nationalise the formerly** owned by private individuals especially those producing essential commodities as well as weak firms which may be outcompeted if the price mechanism is left to operate.
- **Provide government offers.** by assisting firms through giving them subsidies, credit facilities price supports, tax holidays etc. all which aim at enabling weak firms to operate as well as those producing cheap but essential commodities.
- **Set antimonopoly** laws/legislations aimed to control the activities by private profit motivated monopoly firms thus reducing over exploitation.
- **Encourage formation of consumer associations.** which helps to educate consumers on their rights responsibilities and market issues so as to reduce consumer exploitation through ignorance.
- **Ration essential commodities in order to enable the consumers get essential commodities at reasonable prices.**
- **Advocate for** the establishment of buffer stocks in order to reduce on price fluctuations and regulate price and supply.
- **Emphasize the operation** of stabilization fund policies to reduce price fluctuations.
- **Issue licenses and permits** to businessmen before commencing operations or offer Quotas restrictions in order to prevent over exploitation and exhaustion of resources.
- **Advocate for the joining** of international commodity Agreement through which prices of given commodities are stabilized.

**(Any 6 points well explained each 2marks = 12marks.)**

**end**