

**THE UNITED REPUBLIC OF TANZANIA
NATIONAL EXAMINATIONS COUNCIL
ADVANCED CERTIFICATE OF SECONDARY EDUCATION EXAMINATION**

151/1

**ECONOMICS 1
(For Both School and Private Candidates)**

Time: 2 Hours 30 Minutes

Tuesday 19th February 2008 p.m.

Instructions

1. This paper consists of **ten (10)** questions in sections A and B.
2. Answer **five (5)** questions, choosing at least **two (2)** questions from each section.
3. **All** questions carry equal marks.
4. Credit will be awarded for brief and well argued answers.
5. Cellular phones are **not** allowed in the examination room.
6. Write your **Examination Number** on every page of your answer booklet(s).

This paper consists of 3 printed pages.

SECTION A

1. ✓ Explain why Economics is regarded as a science.

2. ✓ (a) What is collectivism?

(b) Discuss the place of socialism as an economic system in today's world.

Identify factors which may influence the supply of labour in the economy.

With the help of a diagram, show the advantages of advertising to entrepreneurs producing under conditions of imperfect competition.

Given the following table.

P _x	10	14	18	22
D _x	16	14	7	1
D _B	14	18	25	30
Y	1000	1500	2000	2800

Where P_x = Price of commodity x.

D_x = Quantity demanded for commodity X.

D_B = Quantity demanded for commodity B.

Y = Income level of a consumer.

From the above table, answer the following questions:

(a) Calculate the following types of elasticity of demand in the first points only in each case.

(i) Income elasticity of demand of commodity B.

(ii) Price elasticity of demand of commodity X.

(iii) Cross elasticity of demand of commodity X to commodity B.

(b) Explain the type of demand relationship between commodity X and commodity B.

SECTION B

6. Consider the following costs and revenue functions of a firm.

(i) $TR = 132Q - 8Q^2$

(ii) $TC = Q^3 - 14Q^2 + 69Q + 128$

Where;

TR = Total revenue

TC = Total costs

Q = Quantity produced

- (a) Find the output which will maximize profit.
 - (b) Calculate maximum profit.
 - (c) Calculate total fixed cost (TFC), total variable cost (TVC), average fixed cost (AFC) and average variable cost (AVC).
 - (d) Calculate average revenue (AR) and state at what market structures is the firm operating. Give reasons for your answer.
7. (a) What is the meaning of bargaining theory of wage?
(b) Verify the contention that the strength of trade union is not independent.
8. According to the quantity theory of money, an increase in the quantity of money would bring about a proportionate increase in price. Give a critical analysis of this theory.
9. ✓ (a) What is barter trade? ✓
(b) Is barter trade practiced in Tanzania? ✓
10. Why is short run price elasticity of supply less than long run price elasticity of supply?