# 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: 3 Hours**                        **Friday, 10ᵗʰ February 2012 a.m.**

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**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.      Each question carries **twenty (20)** marks.

4.      Non programmable calculators may be used.

5.      Cellular phones are **not** allowed in the examination room.

6.      Write your **Examination Number** on every page of your answer booklet(s).

Answer at least **two (2)** questions from this section.

1.  (a)    Explain five types of Internal Economies arising from the expansion of a firm.
    (b)    Examine five features of the oligopolistic market structure.

2.  (a)    Describe four economic problems which any product would face.
    (b)    (i)    What is meant by the term price discrimination?
           (ii)   Analyse five necessary conditions for price discrimination.

3.  Given the following price and average cost functions of the firm E.

    $$P = 140 - 2q$$
    $$AC = \frac{10}{q} + 5q$$

    Where P = Price
    Q = quantity
    AC = Average cost.

    Find;
    (a)    The quantity of output at which the given firms will maximize profit.
    (b)    The profit maximizing price.
    (c)    The maximum profit of the firm.
    (d)    The market structure under which the firm operates. Give reasons for your answer.

4.  (a)    Precisely elaborate the term price elasticity of demand.
    (b)    Given the following demand schedule:

    | Price of goods N (Sh. Per unit) | Quantity of goods N bought in a week (Kg) |
    |---|---|
    | 5000 | 100 |
    | 4000 | 80 |
    | 3000 | 60 |
    | 2000 | 40 |
    | 1000 | 20 |

    (i)    Draw graph of the schedule, price of goods N on the X-axis and quantity of goods N bought on the Y-axis.
    (ii)   Calculate price elasticity of demand when the price of N falls from sh. 3000 to sh. 2000 per Kg.
    (iii)  Name two commodities which may show such behaviour. Give reasons for your answer.
    (c)    Despite the superiority of the optimum theory over the Malthusian theory of population, it has serious weaknesses. Justify.

5.  (a)    Describe the following economics terms:
           (i)    Maximum price.
           (ii)   Minimum price.
    (b)    With the aid of diagrams, explain the likely effects of fixing price ceiling and price floor.
    (c)    Briefly explain the following terms:
           (i)    Production function          (ii)    Production possibility curve.

**SECTION B**

Answer at least **two (2)** questions from this section.

6.  (a) Assumptions of the price mechanism are unrealistic. Justify.
    (b) Given the following table of a firm.

| Output | Total cost | Marginal cost | Average cost |
|--------|-----------|---------------|--------------|
| 1 | 100 | - | - |
| 2 | 180 | - | - |
| 3 | 240 | - | - |
| 4 | 320 | - | - |

Calculate the Marginal cost and Average cost

7.  (a) Identify four factors which cause the firm in Tanzania fail to reach the optimum size.
    (b) Elaborate six conditions of perfect competition.

8.  Explain the merits and demerits of mixed economic system.

9.  (a) Describe five exceptions to the law of demand.
    (b) Let the hypothetical production function for a competitive firm with labour as the only variable input is given as:
    $$Q = -L^3 + 10L^2 + 200L$$
    Where   L = Labour in man-hour
    Q = Quantity in kg/day.

    Calculate the:
    (i) amount of labour in stage one.
    (ii) output rate at the beginning of stage two production.
    (iii) amount of labour at the end of stage two and its corresponding output.

10. (a) Given the demand curve for maize represented by equation $P = 300 - 15Q$ and the supply curve represented by $P = 120 + 30Q$
    Where   P = Price in sh.
    Q = Quantity in a sack of 100 kg.
    Find the equilibrium price and quantity.
    (b) By using illustrations, distinguish between change in quantity supplied and change in supply.
    (c) Outline six factors which influence elasticity of supply.