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, 05th May 2017 a.m.**

Instructions

1. This paper consists of **eight (8)** 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).

SECTION A

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

1. (a) Briefly explain the following concepts:
    (i) Economic goods
    (ii) A transformation curve
    (iii) Wants
    (iv) Marginal utility
    (b) Distinguish a command economy from a free market economy (provide six points).

2. (a) Assess the significance of competitive market in the economy. (Give five points).
    (b) Identify five roles played by price in a free market situation.

3. (a) Define minimum wage legislation.
    (b) Giving five points, describe the advantages of minimum wage legislation.
    (c) Explain four disadvantages of raising the wages above the equilibrium wage rate.

4. (a) Outline five limitations of the theory of price mechanism.
    (b) With the aid of diagrams, explain the following cases of elasticity:
    (i) Inelastic supply
    (ii) Elastic supply
    (iii) Unitary elasticity of supply
    (iv) Perfectly elastic supply
    (v) Perfectly inelastic supply.

SECTION B

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

5. (a) Describe five measures that a country can adopt to control recession in trade cycle.
    (b) Explain five factors for upswing and downswing of the level of economic activities.

6. A firm is operating under the conditions of imperfect competitive industry. The costs and revenue are given as follows:

    $TC = 2Q + 5$
    $AR = 8 - Q$

    Where:
    TC = Total Cost
    AR = Average Revenue

Q = Quantity of output produced/sold

If this firm is incurring a loss of 77 Tshs;

    (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.

7.   (a)   Outline any six ways through which the population size of a country can be a hindrance to the economic development.

    (b)   Explain four measures which can be adopted to control a higher population growth rate.

8.   (a)   Evaluate five factors that influence the level of money supply in Tanzania.

    (b)   Critically examine the quantity theory of money (provide four points).