

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

151/1

ECONOMICS 1

(For Both School and Private Candidates)

Time: 3 Hours

Tuesday, 07th May 2019 p.m.

Instructions

1. This paper consists of sections A and B with a total of **eight (8)** questions.
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 and any unauthorized materials 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) Explain five limitations of macroeconomics analysis.
(b) What are the demerits of capitalism? Give five points.
2. (a) Elaborate four factors which limit the law of diminishing returns to operate.
(b) Analyse six factors that contribute to low efficiency of labour in Tanzania.
3. (a) A monopolist firm is facing the following demand and cost functions respectively:
 $P = 140 - 2Q$
 $TC = 10 + 5Q^2$
Where:
P = Price
Q = Quantity
TC = Total cost
Determine:
 - (i) Profit maximizing output and total revenue maximizing output.
 - (ii) Maximum profit earnable to a firm.
 - (iii) Maximum revenue earnable to a firm.
 - (iv) Total cost (TC) incurred by a firm at maximum profit.
(b) Describe six roles played by profit in the economy.
4. (a) What is the meaning of the following terms:
 - (i) Population size.
 - (ii) Overpopulation.
(b) Giving eight points, justify the statement that 'high rate of population growth in Tanzania have contributed to deterioration of standard of living'.

SECTION B

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

5. (a) Study carefully the following Table and answer the questions that follow:

Year 1				Year 2		
Goods	Price (Shs)	Index	Weight	Price (Shs)	Index	Weight
A	2.00	100	4	2.50	125	4
B	5.00	100	2	6.00	120	2
C	1.00	100	1	0.80	80	1
D	3.00	100	3	6.00	200	3

Determine:

- (i) The weighted index of prices for the year 1 and 2.
- (ii) The percentage change in the weighted index over the period.
- (iii) The change in the value of money on goods over the period.

- (b) Describe the following economic concepts:

- (i) Inconvertible notes.
- (ii) Narrow money supply.
- (iii) Legal tender.
- (iv) Precautionary demand for money balances.
- (v) Paper managed system.

6. (a) Study carefully the following Table and answer the questions that follow:

Price of Commodity Y (Tshs)	Quantity of Commodity X bought
10	70
15	60
20	50
25	40
30	30

- (i) Draw the graph to represent the information given in the Table..
 - (ii) What does the graph drawn in (a) (i) shows. Briefly explain.
 - (iii) Explain the economic interpretation of the graph by giving examples.
 - (iv) Calculate the elasticity of demand when price increases from 15 to 20Tshs.
- (b) Provide six reasons to prove for the shape of the normal demand curve.

7. (a) Explain four criteria used to classify the market structures in an economy.
(b) With clear labelled diagram, explain why the monopoly is not economically efficient.
8. (a) Analyse three types of unemployment which normally exist even if the economy reaches full employment.
(b) Discuss seven major indicators which signify economic crisis.