

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

151/1

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

*Time: 2 Hours 30 Minutes*

**2006 February, 14 Tuesday p.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. All questions carry equal marks.
4. Credit will be awarded for brief, 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).

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## SECTION A

- Write short notes on:
  - Monopsony and oligopsony
  - The wave/price spiral
  - Total revenue test
  - Perfect competition.
- Outline the non-price factors that may affect supply.
- Why is inflation seen as a problem?
- Give the motives for demanding money and expound on the factors that affect the demand for money.
- Account for the significance of the entrepreneur as a factor of production.

## SECTION B

- Discuss the non-income factors that can affect consumption.
- Study the table below and answer the questions that follow:

Demand schedule for Maize

Price (shs. Per bag)	Quantity Demanded (bags per month)
5000	20
4000	25
3000	30
2000	40
1000	50

Table 1

- Graphically portray the demand schedule for maize above.
  - Using the graph, explain why the law of demand is sometimes called the law of downward-sloping demand.
- Briefly discuss three features of the antagonistic pre-capitalist mode of production.
    - Highlight key elements of reform programmes showing that Tanzania is in a period transition to a market economy.
  - “The price elasticity of supply depends upon the amount of time the producer has to respond to price changes”. Discuss.
  - Discuss the shortcomings of the price mechanism.