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 *2009 February, 11 Wednesday a.m.*

INSTRUCTIONS

1. This paper consists of **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 20 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 2 printed pages.
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SECTION A

1. Discuss the meaning of the concept of opportunity cost. illustrate the concept with practical examples.
2. (a) What is a transition period?
   (b) Why is transition period important?
3. (a) Define land as used in Economics.
   (b) Describe the role of natural resources in the development of your country.
4. (a) Define the term market structure.
   (b) Explain the factors which determine the perfection and imperfection of a market structure.
5. With the aid of diagrams explain the effects on total revenue of a firm when the price of the commodity rises in the following cases.
   (a) Demand is inelastic.
   (b) Demand is elastic.
   (c) Demand is unitary elastic.
   (d) Demand is perfect inelastic.

SECTION B

6. Explain briefly why firms maximize profit at a level of output where MC = MR?
7. Discuss the factors which determine the strengths of a Trade Union.
8. Compare Keynesian and monetarist views on the alternative methods of controlling inflation.
9. (a) Fill in the blanks in the following table:

Units of labour (L)	Total product (TP)	Average product (AP)	Marginal product (MP)
1	-	15	-
2	-	-	30
3	80	-	-
4	-	27	-
5	-	-	26
6	150	-	-
7	-	23	-
8	168	-	7

   (b) Using the table above, draw the graphs of TP, AP and MP.
   (c) State and explain the stage which will be chosen by a rational producer to operate.
10. What is kinked demand theory? Explain why the marginal revenue of a firm in oligopoly has different slopes.

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