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

151/1 **ECONOMICS 1**
(ECONOMIC THEORY)

TIME: 2½ Hours **3 May 2000 P.M**

Instructions

1. This paper consists of sections A and B.
2. Answer FIVE questions, choosing at least TWO (2) questions from each section.
3. Write your examination number on every page of your answer booklet provided.

NOTE: Credit will be awarded for brief, well argued answers.

0211-777271

5

This paper consist of 2 printed pages

SECTION A

1. Lionel Robbins has defined economics as "A science which studies human behaviour as a relationship between ends and scarce means which have alternative uses". Explain why this definition is NOT the only definition of economics?

2. What is a transition period? With reference to your study of economic systems show why the transition is necessary.

3. Explain:
   (a) three cases to show how a firm may gain from specialization.
   (b) two cases to show how specialization may cause problems to a firm.

4. Explain the following:
   (a) market theory
   (b) market price
   (c) open market
   (d) free market
   (e) local market.

5. With reference to specific examples, draw graphs to show:
   (a) two goods that are jointly supplied
   (b) regressive supply curve
   (c) price determination by supply and demand when:
      (i) supply is perfectly inelastic
      (ii) demand is perfectly elastic.
   (d) Explain the economic significance of each of your above graphs.

SECTION B

6. (a) Draw a graph to show the advantage of advertising to an entrepreneur producing under conditions of imperfect competition. Explain your graph.
   (b) State two reasons why advertising is NOT necessary under perfect competition.

7. "No profit, no production". Does this mean that wages, interest and rent are not important payments in production?

8. "People find life difficult because they don't have money". Should governments, therefore;
   (a) stop using money OR
   (b) print more and more money to make the life of the people happier?

9. Explain the various concepts of cost.

10. How is the price of land determined?