

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

151/2

ECONOMICS 2

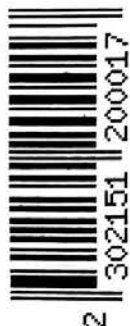
(For Both School and Private Candidates)

Time: 3 Hours

Year: 2023

Instructions

1. This paper consists of sections A, B and C with a total of **eight (8)** questions.
2. Answer **all** questions in section A and choose **two (2)** questions from each sections B and C.
3. Section A carries **twenty (20)** marks, sections B and C carry **forty (40)** marks each.
4. Non-programmable calculators may be used.
5. All writing must be in **blue** or **black** ink **except** drawing which must be in pencil.
6. All communication devices and any unauthorised materials are **not** allowed in the examination room.
7. Write your **Examination Number** on every page of your answer booklet(s).



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SECTION A (20 Marks)

Answer **all** questions in this section.

1. Diversification of the economy enables a firm to increase chances of employment, inter-sectoral interdependence and make the producer self-sustaining. Basing on this contention, briefly describe five merits of diversification of the economy in the developing countries like Tanzania.
2. Resource identification and mobilization during the planning period are of greater significance in the economy. Briefly identify five productive ingredients in a successful planning of the economy.

SECTION B (40 Marks)

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

3. (a) The following table shows the Tanzanian economy with the values of income and consumption (in million Tshs.) for the year 2000:

Income	Consumption	Savings
350	335	.....
300	290	.....
250	245	.....
200	200	.....
150	135	.....
100	110	.....

- (i) Determine the amount of savings.
- (ii) Formulate the consumption function by using the data in the table.
- (iii) If the level of savings in the economy was Tshs. 25 million at the equilibrium, use the consumption function in (ii) to find the new equilibrium level of income.

- (b) Explain five factors which influence the level of savings in the economy.

4. (a) Study the information given in the table, calculate the percentage tax rates and payable taxes and fill in the blank spaces.

Month	Taxable Income (Tshs)	Percentage Tax Rate	Payable Tax (Tshs)
January	Salary 850,000.00	14.00	.....
February	Selling price 1,200.00	.....	216.00
March	Retailer price 1,000.00	16.00	.....
April	Wholesale price 600.00	.....	102.00

Month	Taxable Income (Tshs)	Percentage Tax Rate	Payable Tax (Tshs)
May	Selling price 760.00	12.00	.....
June	Salary 1,400,500.00	.....	280,100.00
July	Wholesale price 540.00	15.00	.....
August	Retailer price 720	.....	115.20
September	Salary 2,000.00	16.00	
October	Selling price 1500.00	.....	210.00

- (b) Explain five implications in each of the following forms of budgets in the economy:
- Surplus budget.
 - Deficit budget.
5. (a) Suppose in the Tanzanian economy from 2010 to 2015, the export price index of Tanzania increased from 100 to 190 while the import price index increased from 100 to 180:
- Identify the base and current year.
 - Calculate the terms of trade during the period.
 - Give the economic interpretation of the value obtained in (a) (ii).
- (b) Briefly describe six factors which lead into the deteriorating terms of trade in the economies of developing countries such as Tanzania.

SECTION C (40 Marks)

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

- Land transport facilitates mass production of goods since it ensures market for the goods produced. In six points, account for the contribution of land transport to the Tanzanian economy.
- "One of the major problems facing the commercial banks in the developing countries is lack of collateral security to most borrowers." Substantiate this quotation by giving six problems faced by the commercial banks in the Tanzanian economy.
- "Private sector promotes the increase in efficiency in the economy." Justify this statement by giving six advantages of the private sector in the economy.

