

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)

Duration: 3 Hours

Year: 2025

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 of sections B and C
3. Section A carries **twenty (20)** marks, section B and C carry **forty (40)** marks each.
4. Non-programmable calculator may be used.
5. All writing must be in blue or black ink, except drawings which must be in pencil
6. 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).



SECTION A (20 Marks)

Answer **all** questions from this section.

1. (a) Differentiate the development plan from the Economic plan.
(b) distinguish between the Imperative plan and the Indicative plan
(c) compare Plan machinery and Plan appraisal.
(d) differentiate between a Centralized plan and a Decentralized plan.
(e) identify the distinctions between a Socialist plan and a Capitalist plan.
2. According to Harrold Domar Growth Model, economic growth is independent from the level of national savings and productivity of capital investment. Explain briefly the limitations of this model.

SECTION B (40 Marks)

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

3. (a) You have provided wit income function of two sector model of $Y = C + I$ and consumption function of $C = a + bY$. Derive the investment multiplier.
(b) You are given the data of country X. Calculate the change of National Income in the economy.
(c) Elaborate six factors that determine the level of savings in the economy.
4. (a) Fill the blanks in the following table by finding the value of goods when VAT is inclusive and the value od goods when VAT is exclusive.

S/N	Actual value of goods	Percentage VAT tax rate	Value of goods VAT inclusive	Value of goods VAT exclusive
1	1000	20		

2	1200	18		
3	1300	16		
4	1400	19		
5	1500	17		
6	2000	19		
7	2800	20		
8	2600	17		
9	2700	18		
10	2900	16		

- (b) Provide the reasons on why do consumers suffer from a price increase when demand is inelastic but benefit from price reduction when demand is elastic.
- (c) Provide reasons why consumers abandon the consumption of the commodity when the demand is perfectly elastic but are forced to continue consuming the commodity when demand is perfectly inelastic.
- (d) justify whether it is true that tax incidence always falls on the consumer.
5. (a) You are given the following data: Initial deposit = 10,000.00 Tsh, Cash ratio is 20%. You are required to calculate total credit created when three commercial banks are involved in the process.
- (b) differentiate commercial bank assets from commercial bank liabilities.
- (c) describe briefly five factors which limit the process of credit creation by commercial banks.

SECTION C (40 Marks)

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

6. Domestic and international trade are two sides of the same commercial transactions. Analyse the differences between domestic and international trade.
7. Evaluate six contributions of small-scale industries in the development of the economy of Tanzania based on the statement “Industrialization facilitates the process of transforming raw materials into capital and final consumer goods”
8. Examine factors to be considered when choosing the mode of transport.