PRESIDENTS OFFICE

REGINAL ADMINISTRATION AND LOCAL GOVERNMENT

DAR-ES-SALAAM REGION

FORM SIX MOCK EXAMINATION

ECONOMICS 01

MARKING SCHEME

CODE 151/01

Q1. Student are required to describe Characteristic's of Human Wants

(i) Human Want are Unlimited in number
(ii) Human Want are vary among Individual, time and place
(iii) Human Want are differ in Intesity (Want are not required in the Same)
(iv) Human Want are repetitive
(v) Human Want are Competitive
(vi) Human Want are Complementary

Any five points @ 02 Marks = 10 Marks

Q2. Candidate are required to explain 5 five ways through which Tanzania gvt Use to Correct Market failure.

(1) Indirect tax (Pigovian tax) Is designed to Internalize the externality this Means that firms pay the cost of the externalities

(II) Subsidies to encourage production where is possitive ~~externaalities~~

(III) Regulations :- regulator bodies work to overcome Market failure

(IV) Property right ; by changing or extending property rights owners of the property can prevent other from imposing cost on their property or they could charge them if they do improve costs

(V) Tradable Permits – Polluting firms are provided with limit to produce a given level of pollution.

(VI) Provision of information about consumation of harmfull goods eg tobacco

(VII) Production Quota.

Any (5) five Points @ 2 marks = 10 marks

Q3 (a) (i) Calculate price elasticity of Demand

$$Q = 250 - 15P_1P_2 + 2P_2Y$$

For price elasticity of demand Considering

$$Q = 250 - 15P_1P_2$$

When $P_2 = 05$

$$Q = 250 - 75P_1$$

From

$$PED = -\left[\frac{\Delta QD}{\Delta P} \cdot \frac{P_0}{Q_0}\right] \text{ - - - } \cancel{01} \text{ 1 Marks}$$

where $Q_0 = 250 - 15(10)(5) + 2(5)(800)$

$Q_0 = \cancel{4500}$ 7500 - - - - 0 02

$P_0 = 10$

Where $PED = -\left[\frac{\Delta QD}{\Delta P} \cdot \frac{P_0}{Q_0}\right]$

$$\text{But } \frac{\Delta(250 - 75P)}{\Delta P} = -75$$

$$PED = -\left[-75 \times \frac{10}{\cancel{4}7500} \right]$$

$$PED = -\left[\frac{-750}{7\cancel{4}500} \right]$$

$$= \cancel{0.166}\ 0.1.$$

Price elasticity of Demand is equal to

$= \cancel{0.1666}.\ 0.1$ — — 02 Marks

ii Calculate Income elasticity of Demand

$$YED = \left[\frac{\Delta QD}{\Delta y} \times \frac{Y_0}{Q_0} \right] \text{ - - 01 Marks}$$

$$= \frac{\Delta(250 + 2P_2Y)}{\Delta Y} \times \frac{500}{\cancel{4}500}$$

$$= \frac{250 + 10Y}{\Delta y} \times \frac{1}{9}$$

$$= 10 \times \frac{1}{9} = \frac{10}{9} = 1.11$$

0.66

1.067

Income elasticity of demand $= \cancel{1.11}$

② MKs ~~02 Marks~~

05/14

(iii) Calculate Cross elasticity of Demand.

$$CED = \left[\frac{\Delta QD}{\Delta P_y} \times \frac{P_{oy}}{Q_{ox}} \right]$$ ---- 01 marks

Where $P_{oy} = P_2 = 5$

$Q_0 = \cancel{4}500$

$$= \frac{\Delta(250 - 15P_1P_2 + 2P_2Y)}{\Delta P_1} \times \frac{P_20}{Q_0}$$

$$= \left[-15P_1 + 2Y \times \frac{5}{\cancel{4}500} \right]$$

$$= -150 + 1600 \times \frac{5}{4500}$$

$$\frac{1450 \times 5}{\cancel{4}50\cancel{0}}$$

$$= \frac{725}{\cancel{4}50} = \cancel{1.6}\ 0.967$$

Cross elasticity of Demand is equal to 1.6 02 marks (2)

(iv) Answer obtain (iii) means the Commodity are competitive since answer is possitive. ~~01~~ 02 Mks Marks

(b) The Candidates are required to describe five types of trade cycles

(i) SHORT - TIME CYCLES (minor cycle)
- occur for short period of time
3 - 4 yrs

(ii) SECULAR TRENDS (Long term cycles)
- Occur for Long period of time

(iii) SEASONAL FLUCTUATION
occur due to the Season Change
In economy.

(iv) IRREGULAR/RANDOM FLUCTUATION
- are Unpredictable and are associated with Uncertainities
eg War.

(v) CYCLIC FLUCTUATION
- are wave like change in economic activity caused by recurring phases of expansion and Contraction.

Any 5 points @ 02 marks = 10 marks

Qn 4 (a) (i) $LPI = \dfrac{\sum P_n Q_o}{\sum P_o Q_o} \times 100\%$ 01 Marks 01

$$= \frac{(510 \times 12) + (1110 \times 7) + (510 \times 7) + (310 \times 32) + (410 \times 22) + (300 \times 20)}{(190 \times 12) + (590 \times 7) + (390 \times 7) + (170 \times 32) + (210 \times 22) + (270 \times 20)} \times 100\%$$

$$= \frac{42,400}{24,600} \times 100\%$$

$LPI = 172.36\%$ — 03 Mark

Price Change = $172.36\% - 100\% = 72.36\%$

01 Marks

(ii) PAASCHES PRICE INDEX PPI

$PPI = \dfrac{\sum P_n Q_n}{\sum P_o Q_n} \times 100\%$ 01 marks 01

190x12, 590x7, 390x7, 170 x 32, 210x22, 270x20 02

$$= \frac{(\cancel{510 \times 18}) + (\cancel{1110 \times 14}) + (\cancel{510 \times 15}) + (\cancel{310 \times 30}) + (\cancel{410 \times 30}) + (\cancel{300 \times 38})}{(\cancel{190 \times 18}) + (\cancel{590 \times 14}) + (\cancel{390 \times 15}) + (\cancel{170 \times 30}) + (\cancel{210 \times 30}) + (\cancel{170 \times 38})} \times 100\%$$

510x12, 1110x7, 510 x 7, 310x32, 410x22, 300x20

$$PPI = \frac{\cancel{65,370}\ 24600}{\cancel{81,170}\ 42400} \times 100\%$$

$\dfrac{24600}{42400} \times 100\%$

$= 58.02\%$

58.02 (03).

PPI = 166.8% —— 02 marks

Price Change = 166.8 - 100% = 66.8%

Price Change = 66.8% —— 01 marks

(iii) The answer are different because Laspeyres price Index use base year quantity, while Paasches price Index uses correct year quantity. 02

(b) The Candidate required to describe positive Impact of Inflation.

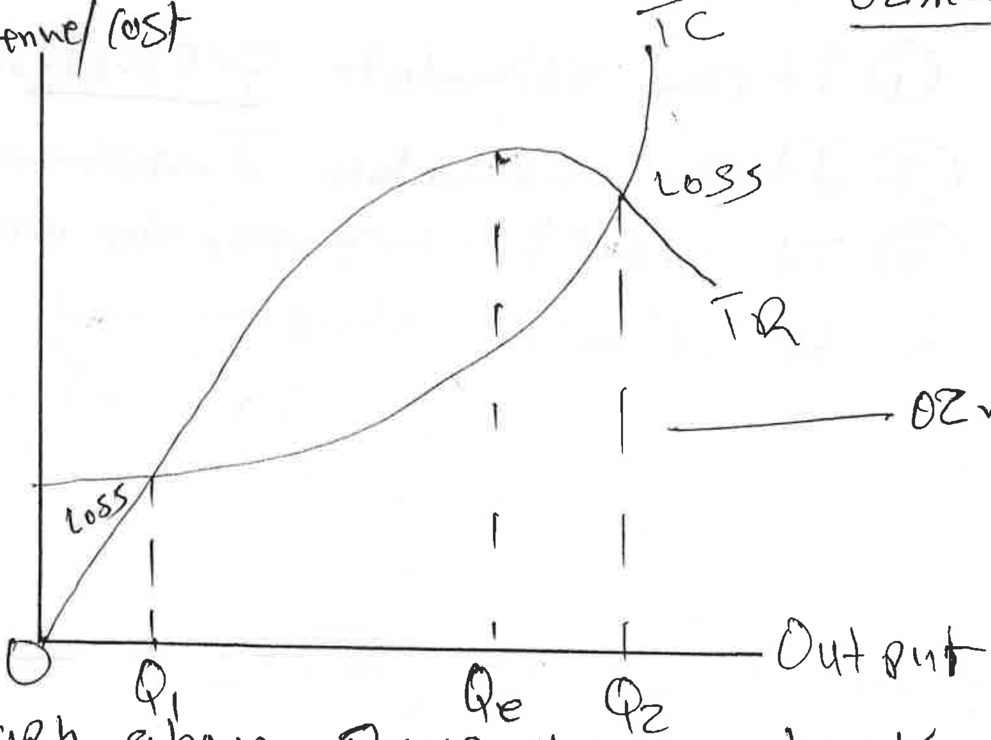
(i) It can stimulate production
(ii) It can Stimulate Investment
(iii) It provide incentive to work hard
(iv) It Stimulate employment of resources
(v) It Increase Stock of assets in the Country..

Any 5 points @ 02 = 10 marks

Qn 5 (a) The students should describe methods of determining equilibrium of ~~the firm~~.

Methods of determining equilibrium of ~~the firm~~.

→ TOTAL REVENUE (TR) - Total cost (TC) approach: Through this approach the equilibrium of the firm is obtained from the ~~equilibrium~~ maximum difference btn the total revenue and total cost of the firm maximum of profit TR-TC
02 Marks



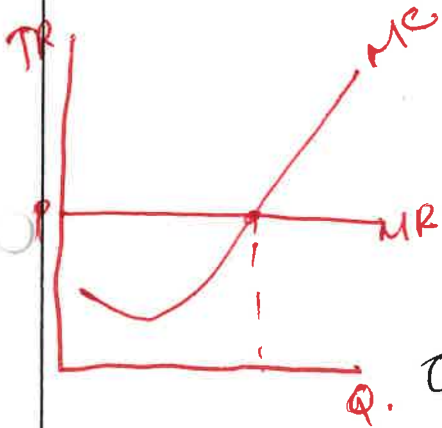
02 marks

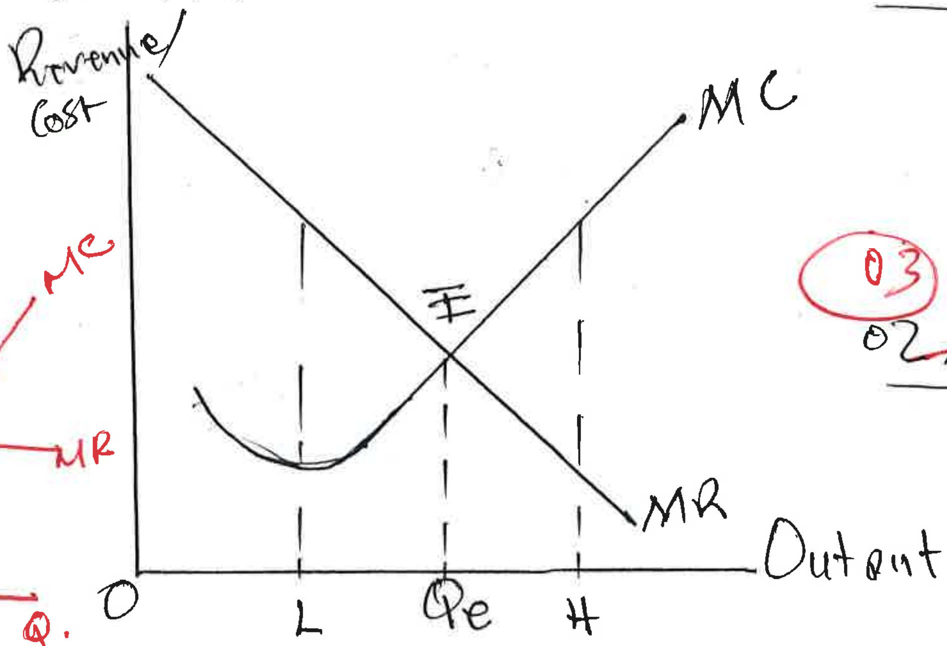
From the graph above, shows the firm break even at output level Q1 and Q2 and Make the highest profit at output level Qe with the maximum difference between total revenue and total cost of the firm.
01 marks

→ MARGINAL REVENUE (MR). Marginal cost approach:

Normally firm continue to expand output as long as MR > MC because additional output make more profit to the firm and firm will not produce ~~extra~~ extra output when MR < MC since extra unit produce will lead to losses. Hence will make the highest level of profit when MR just equal to MC (MR = MC)

02 Marks





03

~~02 Marks~~

From the figure above the curve intersect each other at point E. which is corresponding to output Qe.

01 marks

Qn 5 (b) Candidates are required to explain factors affecting optimum size of ~~the firm~~

i. Economic progress in the country

ii. Techniques of production

iii. Availability and price of Input

iv. Efficiency of Factor of production

v. Government policies

Any 5 points @ 02 Marks = 10 marks

Qn 6: Candidate are required to explain difficulties to attaining full employment.

i. Seasonal Unemployment

ii. Limited Markets for Commodities

iii. Rural - Urban Migration

iv. Shortage of co-operant factors

v. Inadequate Information on where job are

vi. Use of capital Intensive Technique

vii. Immobility of factor of production

viii. Restrictions of entry into certain job by trade Union.

ix. high population growth which does not match with employment Creation.

Any Relevant Introduction —— 01 Marks
Any six points @ 03 marks —— 18 Marks
Any Relevant Conclusion —— 01 Marks

Qn 7. Students are required to measures to be taken to avoid the society to move into population trap.

i. Economic development and poverty eradication
ii. Spread awareness
iii. Family planning Education
iv. Legislative actions.
v. Reducing Infant Mortality
vi. Tighter immigration restrictions
vii. Changing Status of Women Causing departure from traditional Sexual division of Labour (Women Empowerment)

Introduction —— 01 marks
Main body (any 6 points @ 03) —— 18 marks
Conclusion —— 01 marks

Qn 8. Students are required to explain six necessary conditions for succesfull implementation of the privatization.

C

1. Stable macro-economic environment
ii. Proper timing and sequencing of the policy
iii. A well developed financial and capital market
iv. Public sensitization on intended reform.
v. Transparency in privatization process.
vi. Government commitment to reform
vii. Social acceptance and wide participation on companies for sale.
viii. Proper preparation of companies for sale

→ Introduction ——— 01 Mark
Main body any point @ 03 marks —— 18 Marks
→ Conclusion ——→ 01 Mark