PRESIDENTS OFFICE

REGINAL ADMINISTRATION AND LOCAL GOVERNMENT

DAR-ES-SALAAM REGION

FORM SIX MOCK EXAMINATION

ECONOMICS 02 MARKING SCHEME

CODE 151/02

SECTION A (20 marks)

Qn=1: Objective of Exchange Control.

(i) - Improve balance of payment

(ii) To checks flow of capital

(iii) Protection of Domestic Industries

(iv) To maintain exchange rate

(v) Economy uses foreign reserves for exchange.

Any five points @02 marks = 10 marks

Qn =02= Regional economic Intergration in developing countries is undermined by the following factors:-

(i) Political Instability

(ii) Differences in Economic ideologies

(iii) Fear of loss of customs revenue and limited commitment of member states.

(iv) Similar goods produced by member state, limit trade.

(v) Poor infrastructures among the member countries.

(vi) External influence and interference.

Any five points @02 marks = 10 marks

SECTION B

Qn =03=

(i) Equilibrium level of National Income

From $Y = C + I + G + (X - M)$

$Y = 150 + 0.8Y + 50 + 0.5Y + 30 + 20 - 0.5Y$

$Y = 150 + 50 + 30 + 20 + 0.8Y + 0.5Y - 0.5Y$

$Y = 250 + 0.8Y$

$Y - 0.8Y = 250$

$\frac{0.2Y}{0.2} = \frac{250}{0.2}$

Equilibrium level of NI, $Y = 1250$

(02 marks)

(ii) The level of consumption.

From $C = 150 + 0.8Y$

Where $Y = 1250$

$C = 150 + 0.8(1250)$

$C = 150 + 1000$

(02 marks)

The level of consumption, $C = 1150$

(iii) The level of Investment.

From $I = 50 + 0.5Y$

$Y = 1250$

(02 marks)

$I = 50 + 0.5(1250)$

$I = 675$ (The level of Investment).

(~~02 marks~~)

(iv) Investment multiplier.

$$K = \frac{1}{1 - mpc}$$

From $C = 150 + 0.8y$

$mpc = 0.8$

$$K = \frac{1}{1-0.8} = \frac{1}{0.2}$$ (02 marks)

$K = 5$

The investment multiplier $(K) = 5$ times.

(v) New level of National income if investment changes by 70.

From $K = \frac{\Delta y}{\Delta I}$

$K = 5$

$\Delta y = ?$

$\cancel{\Delta I = I_2 + I_1}$

$\Delta I = I_2 - I_1$

$\Delta I = 70$

$$5 = \frac{\Delta y}{70}$$

$\Delta y = 5 \times 70$

$\Delta y = 350$

New. level of $NI = NI + \Delta y$

New level of $NI = 1250 + 350$

Therefore, The New level of National income, $Y_2 = 1600$.

(02 marks)

(b) Principles of Development Planning. (Five) (Principles)

(i) It must be comprehensive.

(ii) Principle of economy

(iii) Principle of sequence (ie) Priorities

(iv) Must be based on the govt policy

(v) Consistency.

Any five @02 marks = 10 marks

Qn 14

(i) China has the absolute advantage in producing computers because China can produce a larger quantity of computers per labour than the U.S.A. ----- (02) marks

(ii) The U.S.A has an absolute disadvantage in producing mobile phones because the U.S.A produce less number of mobile phones per labour than China ------- (02) marks

(iii) The opportunity cost table.

$$\text{Opportunity cost} = \frac{\text{Loss}}{\text{Gain}} = \frac{\text{Forgone}}{\text{Produced}}$$

Countries	Computers	Mobile phones
China	$\frac{10}{6} = 1.7$	$\frac{6}{10} = 0.6$
U.S.A	$\frac{5}{2} = 2.5$	$\frac{2}{5} = 0.4$

4 points @ 00½ marks = 02 marks

Therefore, China has a comparative advantage in producing computers because has the lowest opportunity cost in producing computers than the U.S.A. - - - - - - - - 02 marks

(iv) China should specialize in the production of computers and import mobile phones from the U.S.A, while U.S.A should specialize in the production of mobile phones and import computers from China - - - - - - - - - - 02 marks

Or

4 (b) Advantages of trade restrictions

(i) To rectify balance of payment.

(ii) It's anti-dumping measure (it) helps to control dumping

(iii) To protect local infant or key industries against foreign competition

(iv) For security purpose. Eg Health of Citizen.

(v) Reduction of dependency.

Any five points @ 02 marks = 10 marks

Qn=5=(a) Suppose an initial deposit of 10,000/= is made into the banking systems and the cash ratio is 20%. Assuming that there are many banks in the economy say A, B, C, D, E etc. From the given information, calculate,

(i) Total final deposit

solution

$$\text{Total final deposit} = \frac{\text{Initial cash deposit}}{\text{Cash ratio}}$$

(01 marks)

$$\text{Total final deposit} = \frac{10,000}{0.2} = 50,000$$

(02 marks)

(ii) Credit multiplier,

Solution:

$$\text{credit multiplier} = \frac{\text{Total final deposit}}{\text{Initial deposit}}$$

(01 mark)

$$\text{Credit multiplier} = \frac{50,000}{10,000} = 5$$

OR

$$\text{Credit multiplier} = \frac{1}{\text{Cash ratio}}$$

(02 marks)

$$= \frac{1}{0.2} = 5$$

(iii) Total loans created

Solution

$$\text{Total loan created} = \frac{\text{Initial loan advanced}}{\text{cash ratio}}$$

(1 mark)

$$\text{Total loan created} = \frac{8000}{0.2}$$

$$= 40,000$$ (02 marks)

(iv) Amount of cash reserve

Soln.

$$\text{Total cash reserves} = \frac{\text{Initial cash Reserve}}{\text{Cash ratio}}$$ (01 mark)

$$\text{Total cash reserve} = \frac{20,000}{0.2} = 10000$$ (02 marks)

Qn 5 (b) Four (4) Factors that influence the power of the commercial banks to create credit.

(i) The amount of cash possed by the bank. The larger the cash the larger the amount of credit that can be created by the bank.

(ii) The availability of adequate securities. Banks advances loans to the customers on the basis of the securities, If proper securities are not available with the ~~bank~~ public, banks can not create credits.

(iii) Banking ~~to~~ habit of the people - If people are not in the habit of using banks in financial activities, credit creation will be limited and vice-versa.

(iv) Minimum reserve ratio: The higher the ratio, the lower the power of the bank to create credit and vice-versa.

(v) Economic climate of the country

(vi) credit control of the central bank.

Any four (4) points @ 2 marks total = 08 marks

SECTION C (40 marks)

Qn
26 = Candidate should explain the importance of railway transport btn Dar-es-Salaam and Mwanza.

(i) Create direct and Indirect employment.
(ii) will enhance the mobility of labour
(iii) It will widen the market in Tanzania
(iv) It saves time
(v) ~~It~~ It is suitable and cheap for transporting bulk commodities,

(vi) It stimulates more production

(vii) Helps to accelerate the rate of Economic development.

Introduction - - - - (01) marks
Any six (6) relevant points @ (03) marks = 18 marks
Conclusion - - - - - (01) marks
Total = (20) marks.

Qn =7= Tanzania's position with reference to W.W. Rostow's Development model.

Introduction - - - (01) mark
Write briefly about W.W. Rostow's theory of Economic growth by citing all the five stages and explaining each stage briefly.

Main body (any 6 points @ 03 marks
The following features qualifies Tanzania to be at the third stage which is the take off stage

(i) Reduction of foreign dependence and a transition to some degree of self-sustained growth.

(ii) Emergence and expansion of forces of economic progress for modern economic activities such as commercial (mechanised) farming, industrialization etc.

(iii) Growth of savings from 5% - 15% of the GDP.

(iv) Expansion of both industries and markets.
(v) Increase in per capita output (income) to overlap growth of population.
(vi) Increase in the explitation of ~~unused~~ unused natural resources.
(vii) Introduction of new technology in agriculture to increase yields which support growing urban industrial and commercial labour force.
(viii) Change in social, political and institutional frame work to spread development to give a suitable character. eg: Judiciary, human rights organisation, democratic institutions like political parties etc.

conclusion (1 mark).

Q7
(8) Introduction ----- (1 mark)
main body any six relevant points @ 03 marks = (18) marks
(i) Shortage of capital
(ii) Inadequate skilled labour
(iii) Limited market
(iv) Poor infrastructure (roads, railways etc).
(v) Unreliable power supply
(vi) Inadequate credit facilities
(vii) Unfriendly investment climate
(viii) Political tension & social conflicts
conclusion --- (01 mark)