ECONOMICS 1

MARKING SCHEME - 2024

1. How the government promotes employment
   i) Creating friendly business environment (example: access to loans)
   ii) Provision of education and training
   iii) Promotion of tourism industry
   iv) Increase investment in agriculture
   v) Developing industrial sector

   Any Five (5) relevant points @2 = 10 Marks

2. i) Limited land (where agriculture is done)
   ii) Less use of machinery compared with industries.
   iii) Natural factors
   iv) Seasonal occupation
   v) Differences in the fertility of land

   Any five (5) relevant points @2 = 10 Marks

3. a) Monetary measures involves the following tools.
   i) Open market operation (OMO)
   ii) Bank rate
   iii) Control of credit
   iv) Reserve requirement
   v) Special deposits
   vi) Special credits
   vii) Moral suasion

   Any three points @2 = 06 marks

m Non monetary measures are:

i/ Wage controls/adjustment: to reduce purchasing power of people

ii/ Promotion of production: to reduce price

iii/ Price control by the government

Three points @ 2 = 06 Marks

02

3 b) Inflation rate = $\frac{\text{Price in current year} - \text{Price in previous year}}{\text{Price in previous year}} \times 100\%$

$= \frac{205 - 200}{200} \times 100\%$

$= \frac{5}{200} \times 100\%$

$= 2.5\%$

02

$\therefore$ Inflation rate = 2.5%

02

Interpretation:

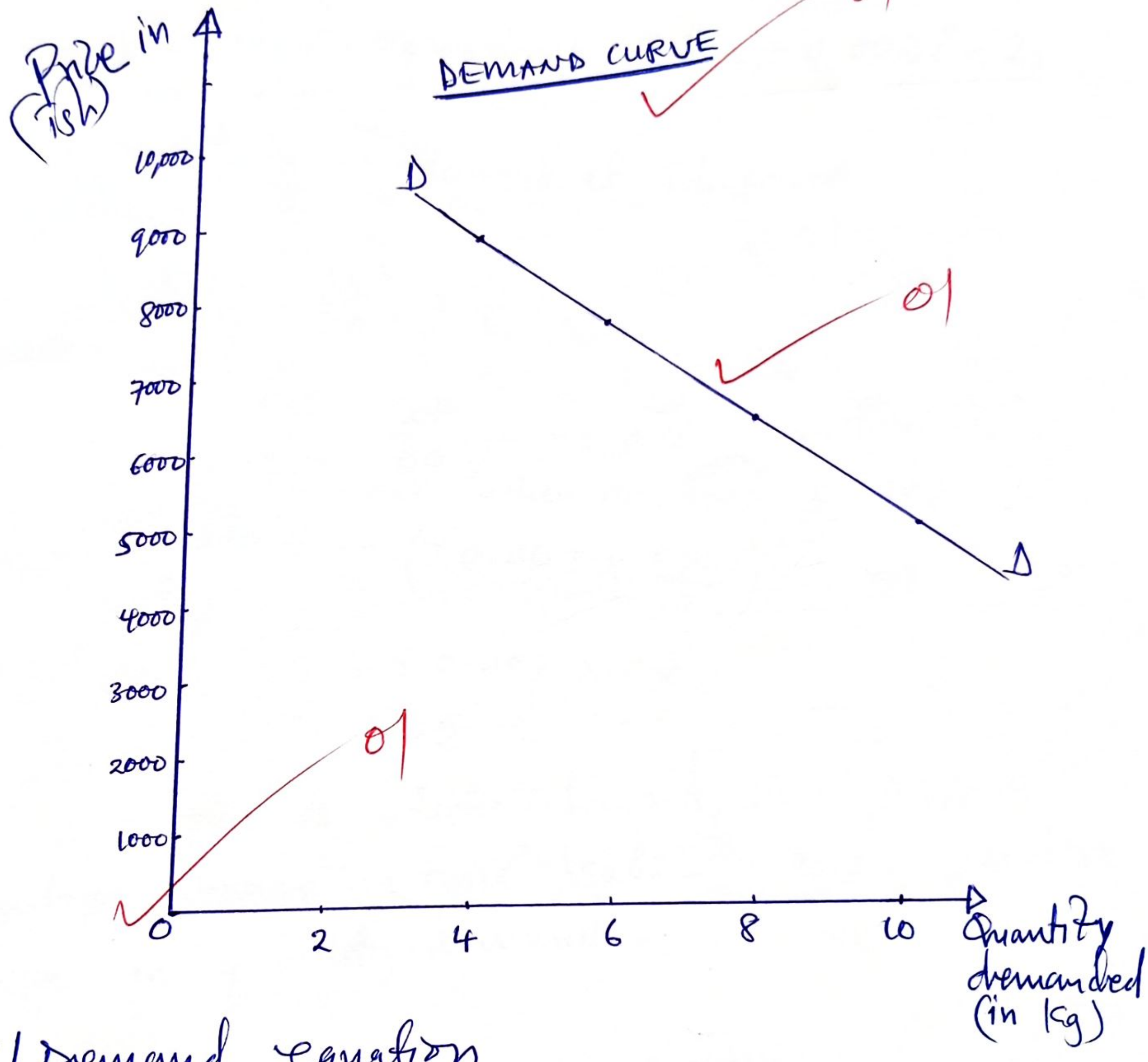
2.5% inflation rate, is the creeping inflation: is the inflation occurs when price increases by 2% to 3%, therefore this rate is not harmful to the economy and it can stimulate investments and production. The produce will be encouraged to produce more due to increase in price.

02

Total = 20 Marks

4. a) i/ The schedule implies that, as the price of Sangara fish increases leads to a decrease in its quantity demand in the market. Hence it obeys the law of demand. 02

ii/ The demand curve



iii/ Demand equation

Choose any two points:

Let say: (10, 600) and (8, 7000)

The slope (m) $= \frac{y_2 - y_1}{x_2 - x_1}$ or $\frac{\Delta Q}{\Delta P}$

$$m = \frac{8-10}{7000-6000}$$

$$= -2/1000$$

$$= -0.002$$

02

4. a) iii– For equation

$$\frac{-0.002}{1} = \frac{Qd - 10}{P - 6000}$$

$$Qd - 10 = -0.002P + 12$$

$$Qd = -0.002P + 22 \quad 01$$

∴ Demand equation; $Qd = -0.002P + 22$

iv/ Price elasticity of demand at Tsh. 6000/=

From:

$$P.E.D = -\left(\frac{\Delta Q}{\Delta P} \times \frac{P_0}{Q_0}\right) \quad 01$$

But $\frac{\Delta P}{\Delta Q} = -0.002$ --- (from (iii))

and when $P = 6000$, $Q = 10$)

$$\therefore P.E.D = -\left(-0.002 \times \frac{6000}{10}\right) \quad 01$$

$$= +0.002 \times 600$$

$$= 1.2$$

This is elastic demand, since a one/unit percentage change in price leads to a 1.2 percentage change in quantity demand.

4 (b) Factors for decrease in supply

i/ Increase in the cost of production

ii/ The use of poor technology which decrease production

iii/ Exist of other firms/sellers in the market

iv/ Change in the objective of the firm

v/ Expectation of future rise in price

vi/ Rise in competing goods

Any five(5) relevant points @2 = 10 Marks

Total = 20 Marks

5. Disadvantages (social costs) of privatisation

i/ Loss of public revenue

ii/ Exploitation of consumers

iii/ Widen income inequality in the economy

iv/ Inefficient supply of public and essential services

v/ Economic instability such as inflation and unemployment

vi/ Difficult in planning at government level

vii/ Increase in negative externalities such as polution

Introduction - - - 01 mark
Conclusion - - 01 mark
Any six (6) points @ 3 = 18 marks
Total = 20 Marks

6. Reasons for controlling population growth

i/ To reduce overexploitation of resources

ii/ To reduce the problem of unemployment

iii/ To reduce pressure of social services

iv/ To reduce economic problems like income inequalities and inflation

v/ To reduce high dependency ratio

vi/ To reduce poverty

vii/ Overcrowding:
(increase in traffic jam, congestion in public services and infrastructure).

Introduction - - 01 mark
Conclusion 01 mark
Any six (6) relevant points @ 3 = 18 marks

= 20 Marks

7. Problems facing firms in achieving their long term goals

i) Problem of selecting kind of commodity
ii) Problem of selecting technique of production
iii) Problems of combination (combining) factors of production
iv) Problem of selecting location
v) Problem of lack of capital
vi) Problem of market
vii) Poor management

Introduction 01 mark
Conclusion 01 mark
Any six (6) points @3 = 18 marks
Total = 20 marks

8. Objectives of economic systems

i) To distribute output among the members of the society
ii) To provide for maintanance and expansion of capital goods
iii) Allocation of resources
iv) To adjust production and consumption
v) To make social choices

Introduction -- 03 Marks
Conclusion --- 02 Marks
Any 5 points @ 3 = 15 Marks

Total = 20 Marks