TANZANIA HEADS OF ISLAMIC SCHOOLS COUNCIL

FORM SIX INTER ISLAMIC MOCK EXAMINATION

ECONOMICS 2

125/1 **MARKING SCHEME 2026**

QUESTION 1

Factors limit effective development planning and makes planning unsuccessful.

1. Limited information or data: information regarding changes in the inflation rates. population growth rate, national income statistics, government budgets.
2. Ineffective planning machinery: The plan formulation and implementation machinery is generally weak due to lack of trained personnel
3. Limited finance /luck of funds or resources for Implementation of the project
4. Existence of large private sector. Private sector is not directly under the planning authority and therefore its activities are difficult to influence.
5. Political interference and corruption on the part of the planning officials.
6. Limited public support due to conservatism resistance to changes and ignorance, political or cultural and religious grounds
7. High population growth and inflation rate. It is difficult to formulate and implement development plans

Any 5 points @ = **02 marks** **TOTAL =** 10 marks

QUESTION 2

Roles of cooperatives in facilitating agricultural development in the country

i. They provide channel of distribution of the member's products to different markets locally and internationally

ii. They sometimes grant loans or credit to farmers to buy machinery. etc.

iii. They provide advice and education to farmers

iv. They help farmers to get better prices and hence improves farmer's income

v. They offer storage and warehousing facilities, reducing post-harvest losses.

vi. They supply farm inputs such as seeds, fertilizers, and pesticides at affordable prices.

Any 5 points @ = **02 marks** **TOTAL =** 10 marks

QUESTION 3

(a) (i) Gross Domestic Product at Market Price (GDPmp)

GDPmp = C + I + G + (X - M)

Imports (M) not given → assume **M = 0**

GDPmp = 4600+1200+1600+230

GDPmp =7,630

2.5 Marks

(ii) Gross Domestic Product at Factor Cost (GDPfc)

GDPfc =GDPmp − Indirect Taxes + Subsidies

GDPfc = GDPmp − Indirect Taxes + Subsidies

= 7,630 – 118 + 91

GDPfc = 7603 **2.5 Marks**

(iii) Gross National Product at Market Price (GNPmp)

GNPmp = GDPmp + Net Income from Abroad

GDPmp = 7630

Therefore

GNPmp = 7630+100 =7,730

2.5 Marks

GNPmp = 7,730

(iv) Net National Product at Factor Cost (NNPfc)

NNPfc = GNPfc − Depreciation

Get GNPfc

GNP fc = GNPmp - Indirect Taxes + Subsidies

= 7,730 – 118 + 91

Then

7,703

1 Mark

NNPfc = GNPfc – Depreciation/ Capita consumption allowance

= 7,703 - 70

= 7633

NNPfc = 7633

1.5 Marks

(b) Measures to Minimize Income Gap

i. Progressive taxation system
ii. Provision of free or subsidized education
iii. Creation of employment opportunities
iv. Minimum wage policy
v. Expansion of social welfare programs
vi. Rural development programs

Any 5 points @ = **02 marks** **TOTAL =** 20 marks

QUESTION 4

(a) Roles of Commercial Banks in a Modern Economy

i. They **facilitate payments and money transfer** through cheques, ATM, mobile and electronic banking.

ii. They create employment opportunities directly and indirectly in the economy

iii. They help in mobilizing savings for capital formation. Commercial banks induce people to save.

iv. They helps in implementation of monetary policy in a country thus facilitate economic growth and development of the country

v. Raises consumption level in the economy by financing consumer activities. Commercial banks advance loans to consumers the purchase of durable consumer goods. This helps to improve standard of living

vi. ln LDC's they facilitate agricultural development through provision of loans and credit to farmers.

vii. Financing employment generating activities by stimulating entrepreneurial activities in the country.

viii. They provide a place for individuals, firms and government to store their wealth e.g. in the form of current or deposit accounts.

ix. They are a source of government revenue through taxation. Commercial banks are taxed to earn the government revenue to meet the public expenditure.

x. They act as financial intermediaries by accepting deposits and lending to a individuals and organizations that require finances.

xi. They provide their clients with expert advice on a broad range of matters such as those relating to investment

Any 5 points @ = **02 marks**

(b) **Factors influencing credit creation process by Commercial banks**

i. Banking habits of the people, preference for cash reduces deposits and limits credit creation
ii. Minimum legal reserve ratio of cash to deposits fixed by the central bank: The higher this ratio, the lower the power of the banks to create credit; and the lower this ratio, the higher the power of the banks to create credit.
iii. Excess reserves: If banks keep more cash in reserves than the legal reserve requirements, their power to create credit is limited to that extent.
iv. Presence (or absence) of leakages in the banking system: If there are leakages in the credit creation stream of the banking system, credit expansion will not reach the required level
v. Economic conditions, during economic growth, demand for loans increases; during recession it falls,
vi. Credit control policy of the central bank, tight monetary policy restricts credit creation
vii. The nature of customer demand for loan/ Availability of creditworthy borrowers, banks lend more when borrowers are reliable

viii. Availability of collateral/security, lack of acceptable security limits banks' lending ability

ix. Liquidity position of the bank, banks with high liquidity can create more credit

Any 5 points @ = **02 marks** **TOTAL =** 20 marks

QUESTION 5

5(a) Classification of Government Revenue and Expenditure

Government Revenue	**Amount (Billion Tsh)**
Grants and aids	50
Charges and fines	200
Selling public properties	150
Profit from state enterprises	300
Total Revenue	**700**
Government Expenditure	**Amount (Billion Tsh)**
Civil servant salaries	750
Defense and security	100
General public administration	500
Road maintenance	600
Total Expenditure	**1,950**

05 marks

5(b) Type of Budget

Government Revenue - Government Expenditure

700 - 1,950 = - 1250 **02 marks**

Therefore, type of budget is **Deficit Budget**

Reason:
Government expenditure (1,950) is greater than government revenue (700).

5 (c) Deficit of budget can be financed by the government through

i. Selling of physical properties and enterprises
ii. Borrowing
iii. Printing more money by the central bank
iv. Use of grants and foreign aid from development partners

Any 3 points @ = **01 mark**

5 (d) Significance/roles of Deficit Budget

i. Promotes economic growth through increased government spending
ii. Enhances infrastructure development
iii. Creates employment opportunities
iv. Stimulates aggregate demand
v. Supports provision of social services
vi. Encourages private sector investment through multiplier effects

Any 5 points @ = **02 marks** **TOTAL =** 20 marks

QUESTION 6

Reasons for Deteriorating Terms of trade

i. Dominance of primary production: LDC's rely on the production of raw materials and food which fetches low prices in the world market.
ii. High demand for imports (of both capital and consumer goods) due to high population growth rate. political instabilities, and climatic vagaries.
iii. Poor technology which contributes to low quality of products produced in LDC's..
iv. Attempts to increase volume of exports through devaluation and thus low prices of LDC's exports.
v. Low demand (market) in developed countries due to low population growth as well as increased protectionism by developed countries
vi. Unstable political system which influences capital outflow and discourage foreign investments.

vii. Monopoly powers of multinational firms. These films have high bargaining power in favour of their interests which are against the interest of the third world

viii. Low production due to shortage of capital and skills. This leads to decline in the volume of exports and thus reduce income terms of trade.

Introduction = 01 Marks

Main body = @ 03 marks = 18

Conclusion = 01 Marks **Total = 20 Marks**

QUESTION 7

Roles of Informal Sector in the economy of Tanzania

i. It creates employment Opportunities and thus reduces poverty by providing income to the people

ii. It acts as training for those Who eventually join the formal sector and thus reduces the cost of training

iii. It creases demand for commodities by increasing purchasing power of the poor majority

iv. It provides channel through which the formal sector sells goods e.g. hawkers gets goods (sometimes on credit) from wholesalers and importers.

v. It contributes in production of essential goods and services for local use and exports. It therefore contributes to foreign exchange earnings through exports.

vi. It increases entrepreneurship by encouraging small operations to start business with little income

vii. It increases urbanization and demand for goods from rural areas

viii. Reduces the government burden of providing unemployment benefits and welfare transfers to people who would otherwise be unemployed

ix. Sometimes provide special services on which the informal sector has no adequate information e.g. traditional herbalists and birth attendants ‘

x. Provide forward and backward linkages (inputs and markets) With other sectors e.g. supports the formal sector with services like bicycle transport, shoe shining, informal money lending, etc

Introduction = 01 Marks

Main body = @ 03 marks = 18

Conclusion = 01 Marks **Total = 20 Marks**

QUESTION 8

Policies to promote economic growth: -

i. Infrastructural development (both economic and social infrastructures)
ii. Privatization
iii. Economic stabilization e.g. combating inflation, unemployment, etc
iv. Encouraging foreign direct investment
v. Population control
vi. Maintenance of peace and order
vii. Income redistribution by subsidizing the poor sections of the community
viii. Expansion of market through membership in different regional economic integrations e.g. SADC, EAC, etc, establishment of Board of external trade
ix. Technological improvement through strengthening education, training and research
x. Planning for proper utilization of resources, combating corruption and misuse of resources, etc

Introduction = 01 Marks

Main body = @ 03 marks = 18

Conclusion = 01 Marks **Total = 20 Marks**