

KAMONYI DISTRICT
SUBJECT: ECONOMICS HOLYDAYS WORK
CLASS: S5

COMBITIONS:

MATH-ECONOMICS-COMPUTER SCIENCE (MCE)

MATH-ECONOMICS-GEOGRAPHY (MEG)

INSTRUCTIONS:

- 1) DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO.**
- 2) THIS PAPAER HAS THREE SECTION A and B**
- 3) ATTEMPT ALL QUESTIONS IN SECTION A**
- 4) CHOOSE THREE QUESTIONS IN SECTION B**

SECTION A: ATTEMPT ALL QUESTIONS (55marks)

1. Choose the best answer among the alternatives.

- i) Which market structure is characterized by many small firms producing identical products? **(1mark)**
- a) Monopoly
 - b) Monopolistic competition
 - c) Oligopoly
 - d) Perfect competition
- ii) What is means by the term price discrimination under monopoly. **(1mark)**
- a) Price discrimination is where the producer sells a commodity to different customers at different prices irrespective of the costs of production.
 - b) This is a situation where firms compete on the basis of other things other than price in an attempt to widen their markets in the same Industry.
 - c) This is a market situation where there is production of a commodity that has no substitutes at all. In practice, there is no pure monopoly because people can always forge substitutes for that commodity.
 - d) This is a market situation consisting of a single seller and a single buyer of a commodity.
- iii) What is fiat money? **(1mark)**
- a) Money backed by a physical commodity
 - b) Money with no intrinsic value, declared legal tender by a government
 - c) Money backed by precious metal like gold
 - d) Money issued by private
- iv) The primary function of a commercial bank is: **(1mark)**
- a) To coverage provide insurance
 - b) To manage investment portfolios
 - c) To accept deposits and offer loans
 - d) To issue and manage government bonds
- iv) What is the primary downside of a monopoly from a societal perspective? **(1mark)**
- a) Limited innovation
 - b) Increased consumer choice
 - c) Lower prices
 - d) Greater market efficiency

2. Match the market structure with the level of barriers to entry. (4 marks)

Market structure	Barriers to entry
1. Perfect Competition	A. Moderate barriers, potential for entry but not as easy
2. Monopoly	B. High barriers, significant hurdles to entry

3. Oligopoly	C. Low barriers, easy entry and exit
4. Monopolistic competition	D. Some barriers, but easier than monopoly

3. Fill in the blank spaces with the best terms. **(5 marks)**
- Money as a medium of exchange has removed the problem ofof wants.
 - Absence ofas a guarantee is a major cause that prevents poor people from obtaining loans from formal sector sources, such as commercial banks.
 - When something contains intrinsic value and also serves as a medium of exchange it is known as.....
 - Institutions that accept funds and provide loans are known as.....
 - The deposits in a bank which are payable on demand are called.....
4. Answer by true or False. **(5marks)**
- Commercial banks primarily focus on providing investment banking services.
 - The central bank's primary role is supervise institutions. to regulate other and financial.
 - Insurance companies typically provide loans to individuals and businesses.
 - Central banks primarily manage risk through diversification in financial markets.
 - Investment banks act as intermediaries between buyers and sellers of securities in financial markets.
5. What is the relationship between saving and investment in the Keynesian model, and how does it impact economic equilibrium?
6. How do central banks regulate financial institutions to ensure economic stability?
7. Use hypothetical data showing the level of national income of the country X in closed economy with government intervention and chose the best answer
- $$C = 50 + 0.8Y_d$$
- $$T = 20\%$$
- $$I = 100$$
- $$G = 30$$
- Where C: consumption expenditure, Y_d : disposable income, I: investment expenditure, G: Government expenditure and T: taxes
- (10marks)**
- National income equilibrium is:
 - 200
 - 600
 - 500
 - 400
 - Tax is:
 - 50
 - 100
 - 150
 - 200
 - Disposable income is:
 - 200
 - 300
 - 400
 - 500

iv) consumption is:

- a) 250
- b) 170
- c) 350
- d) 370

v) Saving is:

- a) 50
- b) 130
- c) 150
- d) 200

8. If the price of a basket of goods and services in the current year is \$120 and the price of the same basket in the base year is \$100, what is the simple price index for the current year? **(5marks)**

9. Assuming a reserve ratio of 20%, if a commercial bank receives a deposit of 15,000FRW, how much new money can it create through lending? **(5marks)**

10. Differentiate the types of money supply. **(4marks)**

11. State five functions of central bank **(5marks)**

SECTION B: CHOOSE ONLY THREE QUESTIONS (45marks)

12. Evaluate the problems of measuring national income especially in LDCS **(15marks)**

13. In Rwanda, we use a single currency as a legal item in exchange of goods and services and settlement of debts. In fact, it efficiently performs several primary, secondary, and contingent functions in our country such that everyone is obliged to accept it in all transactions. As an economics student, write down what you think makes our currency to efficiently perform its functions the way it does. **(15marks)**

14. The coexistence of persistent inflation and widespread unemployment is a relatively

new phenomenon. This is explained by the curve. Phillips

- a) Explain the relationship between inflation unemployment. **(3marks)** and
- b) Use information in (a) to illustrate and explain Phillips curve **(4marks)**
- c) Under which circumstances an increase in money supply may not necessarily lead to inflation in an economy? **(8marks)**

15. In December 2023, "food and non-alcoholic prices increased beverages" by 7.4 percent on annual basis, and it decreased by 1.3 percent on monthly basis. Transport increased by 6.4 percent on annual basis, and it increased by 0.3 percent on monthly basis. The Chief Economist at The Ministry of Finance and Economic Planning said: "The Government of Rwanda is deeply inflation significant aware is that high imposing hardship, damaging budgets and decreasing what people buy".

- a) Define the term inflation **(1mark)**
- b) Distinguish stagflation between and reflation **(4marks)**
- c) Suppose you are appointed as a Senior Adviser to the Minister of Finance and Economic Planning, elaborate policy measures to restore price stability to Rwanda's economy. **(10marks)**

16. Evaluate the role of the central Bank in development of the a country's economy. **(15marks)**

END!!!