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S4 ECONOMICS MARKING GUIDE 2023-2024

1. TRUE OR FALSE
   i. TRUE
   ii. FALSE
   iii. TRUE
   iv. TRUE
   v. TRUE

2. i.) **Demand** refers to the desire and willingness backed by the ability to purchase a particular good or service at a given time.
   ii.) **Quantity demanded** is the amount of the commodity that buyers are able and willing to purchase at different prices in a given period of time.
   iii.) **Effective demand** Effective demand means that the consumer wants the commodity, he has the required amount of money to buy it, the commodity exists in the market, and he actually buys it.

   iv.) **Market demand for the commodity** refers to the total demand for all consumers of a particular commodity in the market at a particular time
3. a) IN THE CLASS OF 40 STUDENTS , 25 ARE GILRS . WHAT IS THE PERCENTAGES OF BOYS?
   SOLUTION:
   NUMBER OF BOYS ARE= 40-25= 15 BOYS
   PERCENTAGE OF BOYS ARE = 15/40*100= **37.5%**
   B) p1= 500f
   P2= 850 f
   What is percentage change in price?
   Change in price = p2-p1
   =850 f-500f=350f
   %change in price = 350/500*100= **70%**

4. a) Fundamental economic principles are the basic principles of Economics explain that human wants are unlimited and the resources to satisfy them are limited. Therefore, these principles show the fundamental problems of humans in their bid to try and use the scarce resources to satisfy unlimited wants. **They include scarcity, choice and opportunity cost**.

   b) **Relationship between the fundamental economic principles.**

   Because of scarcity of resources, the producer cannot produce the same level of output for both the two goods but will make choice to either produce more of X or less of Y and vice-versa. If the producer produces more of X he foregoes units of Y (opportunity cost) as shown by the PPF in the Learner's Book.

c) A shift outwards by the PPF indicates economic growth while a shift inwards by the PPF indicates economic decline as shown by the illustrations in the Learner's Book.

d)

Major economic questions

What to produce: Here the firm needs to decide on the nature of the goods to produce whether to produce capital goods or consumer goods.

How to produce: This is another question that the producer needs to take a decision on. The producer will decide on the methods and techniques to be used in the production of goods and or services.

When to produce: The producer is required to decide whether to produce now or to produce in future.

Where to produce: The producer will have to decide on the location of his/her firm or industry.

For whom to produce: The producer will consider the target consumers that will use the goods he/she will produce. The produce may be for the young, the rich or the poor, for the rural people or for the urban people.

5. Major economic activities are:
   - **Primary level** of economics activity: extraction of primary product
   - **Secondary level** of economics activity; manufacturing
   - **Tertiary level** of economics activity: provision of service
6. **Distinguish between direct and indirect service**
   Direct service: service that are directly benefit the individual person. Ex education
   Indirect service: service that individual benefit indirectly or commercial ex transport, communication
7. **A) increase in demand**
   b) is called change in demand
   is called change in quantity demand
8. **Graph**
9. **Income= 200,000 f**
   Price of cloth= 10,000 f
   a) **She will purchase= 200,000f/10,000f= 20 clothes**
   b) **If price is 5000f, she will purchase 200,000f/5000f= 40 clothes**
   c) **If price increase to 25,000f, she will purchase 200,000f/25,000f= 8 clothes**
   d) **If income is 300,000f and price remain constants she will purchase 300,000f/10,000f= 30 clothes**

SECTION B

10. (i) Study of the functioning of prices in an economy: **macroeconomics**.
    (ii) Rwanda's economy is growing at a fast rate: **macroeconomics**.
    (iii)Study of employment levels and unemployment levels in the economy: **macroeconomic**.

(iv)Study of the operation of firms: **microeconomic**.

(v) Taxation: **macroeconomic**

(vi)Every member of labour force in the country should be employed: **macroeconomic**.

11. **i.) This states that "**the higher the price, the lower the quantity demanded and the lower the
price, the higher the quantity demanded of a commodity, ceteris peribus."

ii.)
- Change in taste and preferences: Change in fashion, education, religion, habit, sex etc affects the consumption patterns of the population which in turn influences demand for a particular commodity. For instance, if a large proportion of the population converts to Islam, the demand for pork reduces.
- Change in the size and structure population: It affects aggregate demand by increasing consumption. As the population of the country increases, total consumption is also affected.
- Past levels of income: The higher the past level of income, the higher the demand and vice versa. This is because the consumer will be used to high spending.

- Price expectations: When prices are expected to increase in the future, quantity demanded increases in the current period. This is because buyers tend to make more purchases and stocking for fear of paying higher prices in the days to come.

12. i.) **Price** refers to the relative value of a commodity expressed in some monetary terms. Different commodities in a market have different market values expressed in monetary terms.

ii.)
- **Demand and supply:** The interaction between the forces of demand and supply determine the price in the market. When demand exceeds supply, there is a rise in the price level and when supply exceeds demand, there is a fall in the price level. When the market forces of demand and supply are allowed to interact without interference, equilibrium is attained in the market where quantity demanded is equal to quantity supplied.
- **Sales auction (bidding)**: This is where there is one seller and many buyers competing for the available commodity. Each buyer offers the price he is willing to pay the commodity. The one offering the highest price takes the commodity. Such a method is usually used in awarding contracts in the construction industry.
- **Price legislation**: This is where the price is fixed by the government. It is either maximum price legislation or minimum price legislation. It becomes illegal for one to buy or sell below or above the legislated price.

- **Haggling/Bargaining:** This is negotiation between the buyer and the seller. The seller demands for a higher price while the buyer offers a lower price. Each of them keeps adjusting until they reach a price upon which they all agree to exchange.

• **Resale price maintenance**: This is where prices are fixed by the producer up to the retail level. For instance retail prices for Newspapers, Air time cards, etc are determined by the producers.
• **Treaties (agreements**): These are agreements between buyers and sellers or sellers alone on prices at which they should buy/ sell a particular commodity. This is usually done to avoid sellers underselling each other through competition.

• **Price leadership** (**Imperfect collusion**): This is where the biggest and low cost firm in the industry (price leader) or the oldest firm (**barometric price leadership**) sets the price for other firms in the industry to follow. Such a firm enjoys economies of scale. It has a wide experience in the market and it is a market leader.

13. A) • **Change in the real income of the buyer** resulting from changes in price. Assuming the money income of the consumer remains constant, when the price increase, the amount of goods that one's income can purchase reduce.
• Consumption behavior of **low-income earners.** Low-income earners usually buy less when the price is high and buy more when the price is low.

• It is because of **presence of substitutes**. When the price of a commodity increases, and that of its substitute remains constant, consumers substitute goods whose prices have increased with those whose prices have remained constant (SUBSITUTITION EFFECT)

B) DEMAND SCHEDULE: table that show the low of demand
DEMAND CURVE: graphical representation of the low of demand

C) THE CONDITIONS THAT LEADS TO ABNORMAL DEMAND CURVE ARE;

i. When there is a depression
ii. When there are goods of ostentation (luxury goods)
iii. When consumer expect price to change in future
iv. When there are Giffen goods
v. When consumer are ignorant of the market conditions
vi. If commodity is necessity