

# SAMWASSES SEPTEMBER 2022

## MARKING SCHEME

### ECONOMICS 2.

1. Five (5) factors that determine economics growth
  - i) Physical capital i.e stock of equipment, machines, buildings, plants used by worker to produce goods and services.
  - ii) Human capital i.e skills acquired by a worker through education, training and experience.
  - iii) Natural resources include endowments such as land, forest, water bodies and mineral resources.
  - iv) Technological knowledge i.e technical know how or the understanding of the best way of organizing other factor inputs to produce goods and services.
  - v) Availability of good policy to guide economic activities.

2 marks @ 5 points.

2. Function of national budget
  - i) To control inflation.
  - ii) To correct deficit in the balance of payment.
  - iii) To redistribute income.
  - iv) To stimulate employment.
  - v) To stabilize the economy.

@ 2 marks 5 points.

3. i) Given  $C = a + b Y_0$  ----- (i)  
 $Y_0 = C + I$  ----- (ii)  
 $\Delta Y = Y_1 - Y_0$  ----- (iii)

- i) Derive investment multiplier  
Substitute equation (i) into equation (ii)  
 $Y_0 = a + bY_0 + I_0$

Collect like terms

$$Y_0 - bY_0 = a + I_0$$

$$Y_0 (1 - b) = a + I_0$$

$$Y_0 \frac{(1 - b)}{1 - b} = \frac{a + I_0}{1 - b} \text{ ----- eqn 1}$$

$$Y_0 = \frac{a + I_0}{1 - b}$$

(01 mark)

Where

$Y_0$  = Original income

$I_0$  = Original investment

If income increase to  $Y_1$  therefore  $Y_1 = a + bY_1 + I_1$

Collect like terms

$$Y_1 = bY_1 + a + I_1$$

$$Y_1(1 - b) = a + I_1$$

$$\frac{Y_1(1-b)}{1-b} = \frac{a + I_1}{1-b} \quad \text{--- eqn 1. (01 mark)}$$

Change in income is obtained by taking the equation "b" minus equation "a"

$$Y_1 - Y_0 = \left( \frac{a + I_1}{1-b} \right) - \left( \frac{a + I_0}{1-b} \right)$$

$$Y_1 - Y_0 = \frac{a - a + I_1 - I_0}{1-b}$$

$$Y_1 - Y_0 = \frac{I_1 - I_0}{1-b}$$

But  $Y_1 - Y_0 = \Delta Y$

$$I_1 - I_0 = \Delta I$$

$$\Delta Y = \frac{\Delta I}{1-b}$$

Divide by  $\Delta I$  both side

$$\boxed{\frac{\Delta Y}{\Delta I} = \frac{1}{1-b} = K}$$

2 marks

- ii) Assume marginal propensity to consume is constant .
- iii) It assume that consumption is affected by current income.
- iv) Assume that the change in autonomous investment lead to multiplier effect.

3 points @ 2 marks

4. (a) (i) Country A has absolute advantage in producing tractors and wool as it use less resources to produce large out put ( 4 marks)
- ii) The country which cost comparative disadvantages in producing Tractors. Find opportunity cost of producing one unit of each item in the 2 countries.

Country	Tractors	Wool
A	10	0.1
B	15	0.07

Country B has cost comparative disadvantage in producing tractors i.e foregone is units by producing 1 units of wool. (4 marks)

iii) Country A has cost comparative advantages in producing wool as it foregone 0.1 unit by producing 1 units of Tractors hence increase less opportunity cost. ( 4 marks)

(b) Assumption of classical theories of international trade.

- i) Perfect mobility of factors of production.
- ii) No transport costs involved in trading between countries.
- iii) No barriers to trade such as tariffs or quotas
- iv) The world comprises of two countries producing two goods only.
- v) Firms experience constant returns to scale where a proportional increase in inputs would result to the same increase in output.
- vi) Labour is the only factor of production.

5. (a) Function of commercial banks.

- i) Accepting deposits
- ii) Advancing loan
- iii) Agency functions include transfer of fund, standing order, payment and receipts, trading of security etc.

- iv) Provision of general utility service example issuing travelers cheque, offering lockers facilities issuing debit cards and credit card etc.  
( 4 points @ 2 marks.

(b) Differences between central banks and commercial banks (Give six (6) differences)

- i) Central banks are the top institution of the monetary and banking system of the country while commercial banks are the organ of the money market.
- ii) Central banks implement the monetary policies of respective governments, there are not for profit while commercial banks are profit making financial institutions.
- iii) Central banks are bankers to the government and do not participate in ordinary banking activities while commercial banks are bankers to the general public.
- iv) Central bank control credit operations according to the needs of business and the economy while commercial banks create credit to meet customer's demand.
- v) The head of central banks are known as Governors while the heads of commercial banks are called Managing Directors.  
6 points @ 2 marks.

6. Roles played by the marketing board

- i) Assistance to farmers.
- ii) They collect and store the produce.
- iii) Buying produce.
- iv) Making research on different aspects i,e market research, seeds to be planted etc.
- v) Selling the produce
- vi) They control production

Any sis (6) points 18 marks @ 3 marks.

Introduction 1 mark and conclusion 1 mark.

7. (a) Challenges facing agriculture sector in Tanzania

- i) Unfavorable climate
- ii) Pests and diseases which affect crops and animals.
- iii) Price fluctuation of agricultural products.
- iv) Insufficient fund to buy farm inputs.
- v) Poor infrastructures both transport infrastructure and communication.
- vi) Lack of storage facilities.
- vii) Dependence on nature.

5 argument @ 2 marks

- (b) (i) It provides market for agricultural products.
- ii) It stabilize price for agricultural products.
- iii) It add value to the agricultural products.
- iv) It provides agricultural inputs such as fertilizers and other inputs like tractors, hoes etc.
- v) It provides income to people which in turn invest in agriculture sector.

five (5) points 10 marks @ 2

8. Roles of international trade and aid

- i) International trade and aid increase revenue and income which may be used as capital for investment and production.
- ii) It helps in improving social services such as schools, health services for the development of the country.
- iii) It helps in improving economic infrastructure which may create conducive environment for economic activities to take place smoothly in turn stimulator economic development.
- iv) It helps in financing our budget / National budget which may be used in different sectors of the economy in turn stimulate the development.
- v) International trade expands market for our industries which may help in improving the quality and quantity of our products hence bring about economic development.
- vi) It increase competition of domestic industries hence acting as a catalyst for development.
- vii) It facilitates improvement in science and technology which may improve techniques of production hence economic development.

Any six (6) point @ 3 marks total 18 marks introduction 1 mark  
Conclusion 1 mark.