

**THE UNITED REPUBLIC OF TANZANIA  
NATIONAL EXAMINATIONS COUNCIL  
ADVANCED CERTIFICATE OF SECONDARY EDUCATION  
EXAMINATION**

**151/1**

**ECONOMICS 1  
ECONOMIC THEORY  
(For Both School and Private Candidates)**

**Time: 2:30 Hours**

**Wednesday, 09<sup>th</sup> February 2011 a.m.**

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**INSTRUCTIONS**

1. This paper consists of **ten (10)** questions in sections A and B.
2. Answer **five (5)** questions choosing at least **two (2)** questions from each section.
3. Each question carries **twenty (20)** marks.
4. Credit will be awarded for well argued answers.
5. Calculators are **not** allowed in the examination room.
6. Cellular phones are **not** allowed in the examination room.
7. Write your **Examination Number** on every page of your answer booklet(s).

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## SECTION A

1. Distinguish between the following:
  - (a) Specific factor of production and Non-specific factor of production.
  - (b) Specialization by process and Specialization by craft.
  - (c) Very short run period and Short run period.
  - (d) Production and Productivity.
2. Describe the advantages and disadvantages of centrally controlled economies.
3. Define diseconomies of scale and explain six (6) limitations of small scale firms to expansion.

4. The following table shows demand of Juma and Kassim for a product.

PRICE	QJ	QK
2	20	25
7	10	20

- (a) On the same set of axes draw the demand curve for Juma (QJ), demand curve for Kassim (QK) and the aggregate demand curve ( $D_A D_A$ ).
  - (b) What do you think might have caused the differences in demand by Juma and Kassim?
  - (c) Whose demand is more elastic? Give reasons for your answer.
5. Write short notes on the following concepts as used in marketing:
  - (a) World market
  - (b) Market place
  - (c) Market demand
  - (d) Market size
  - (e) Market structure.

## SECTION B

6.
  - (a) Distinguish between nominal and real wages.
  - (b) Explain five (5) factors that determine real wages.
7. State five (5) advantages and five (5) disadvantages of large scale production.
8.
  - (a) Highlight five (5) reasons as to why the demand curve is negatively sloped from left to right.
  - (b) Under what circumstances can a demand curve be positively sloped from left to right?
9. Discuss five (5) limitations of monetary policy in underdeveloped countries.
10.
  - (a) Describe three (3) principles of Economics.
  - (b) Draw the production possibility frontier and highlight five (5) concepts that it illustrates.