

CERTIFIED ACCOUNTING TECHNICIAN

LEVEL 1 EXAMINATIONS

L1.5: ECONOMICS AND THE BUSINESS

ENVIRONMENT

TUESDAY: 28 NOVEMBER 2017

INSTRUCTIONS:

1. **Time Allowed: 3 hours 15 minutes** (15 minutes reading and 3 hours writing).
2. This examination has **seven (7)** questions and only **five (5)** questions are to be attempted.
3. Marks allocated to each question are shown at the end of the question.
4. Show all your workings.
5. All iCPAR Examination rules and regulations apply.

Attempt any five questions

QUESTION ONE

- (a) Explain the factors which determine the elasticity of supply of a commodity. **(6 Marks)**
 - (b) Describe the problems that are faced by trade unions in developing countries. **(8 Marks)**
 - (c) Explain the reasons for computing national income statistics in Rwanda. **(6 Marks)**
- (Total 20 Marks)**

QUESTION TWO

- (a) (i) Distinguish between income terms of trade and barter terms of trade. **(2 Marks)**
 - (ii) Explain the factors which lead to the poor terms of trade in developing countries. **(8 Marks)**
 - (b) (i) Distinguish between money supply and demand for money. **(4 Marks)**
 - (ii) Explain the factors which determine money supply in Rwanda. **(6 Marks)**
- (Total 20 Marks)**

QUESTION THREE

Explain the:

- (a) role of the government in the development of the economy of Rwanda. **(6 Marks)**
 - (b) salient features of a monopoly firm. **(8 Marks)**
 - (c) merits of integration or merging of firms in an economy. **(6 Marks)**
- (Total 20 Marks)**

QUESTION FOUR

- (a) Explain the justification for the privatisation of public enterprises in Rwanda. **(10 Marks)**
 - (b) (i) Given cash a ratio of 25% and an initial deposit of Frw 350 million in Uzamukunda Savings and Credit Bank (USCB); calculate the total credit created by USCB. **(3 Marks)**
 - (ii) Explain the limitations of credit creation to USCB. **(7 Marks)**
- (Total 20 Marks)**

QUESTION FIVE

- (a) (i) Distinguish between tied aid and untied aid. **(2 Marks)**
 - (ii) Account for the increasing need for foreign aid in developing countries. **(10 Marks)**
 - (b) Explain the merits and demerits of oligopoly firms in your country. **(8 Marks)**
- (Total 20 Marks)**

QUESTION SIX

- (a) (i) With relevant examples distinguish between occupational mobility and geographical mobility of labour. **(4 Marks)**
- (ii) Describe the factors limiting geographical mobility of labour. **(6 Marks)**
- (b) (i) Explain any **four** ways of determining prices in your country. **(4 Marks)**
- (ii) Explain why the demand for a commodity increases when there is no change in the price of that commodity. **(6 Marks)**
- (Total 20 Marks)**

QUESTION SEVEN

- (a) (i) Explain any **four** types of income tax in Rwanda. **(4 Marks)**
- (ii) Describe the positive effects of taxation in your country. **(8 Marks)**
- (b) Account for the increase in public expenditure in Rwanda. **(8 Marks)**
- (Total 20 Marks)**

End of question paper

