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**CERTIFIED PUBLIC ACCOUNTANT
FOUNDATION LEVEL 2 EXAMINATIONS
F2.2: ECONOMICS AND THE BUSINESS
ENVIRONMENT**

DATE: THURSDAY, 01 DECEMBER 2022

INSTRUCTIONS:

- 1. Time Allowed: 3 hours 15 minutes (15 minutes reading and 3 hours writing).**
- 2. This examination has seven questions and only five questions should be attempted.**
- 3. Marks allocated to each question are shown at the end of the question.**
- 4. Show all your workings where necessary.**
- 5. The question paper should not be taken out of the examination room.**

QUESTION ONE

(a) Discuss four different types of economic systems. (8 Marks)

(b) Explain how demand and supply determine market price. (5 Marks)

(c) Suppose quantity supplied S and quantity demanded D of Pencils at Kinyinya Primary school are:

$$Sp = -400 + 100P$$

$$Dp = 2000 - 50P$$

Required:

Find the equilibrium price and the equilibrium Quantity. (3 Marks)

(d) State four sources of internal and external economies of scale. (4 Marks)

(Total: 20 Marks)

QUESTION TWO

(a) Discuss four types of market structure and provide one example for each. (10 Marks)

(b) Critically examine the term pareto efficiency in individual consumption. (5 Marks)

(c) Explain five sources of barriers to enter into a Rwandan market. (5 Marks)

(Total: 20 Marks)

QUESTION THREE

(a) Describe six assumptions of marginal productivity theory of distribution. (12 Marks)

(b) Examine four factors influencing the determination of wage rate in Rwanda. (8 Marks)

(Total: 20 Marks)

QUESTION FOUR

(a) Discuss four reasons why governments across the world try to shield their industries from international competition (8 Marks)

(b) Examine four economic implication of indirect taxation in Rwandan economy. (8 Marks)

(c) Explain what meant by the term automatic fiscal stabilizers and give an example of automatic fiscal stabilizer. (4 Marks)

(Total: 20 Marks)

QUESTION FIVE

- (a) Show the difference between creeping inflation and stagflation inflation. (4 Marks)
- (b) Explain three causes of inflation in an economy of any country. (6 Marks)
- (c) State only four control measures Rwanda national bank use to curb inflation. (2 Marks)
- (d) Describe the relationship between inflation and unemployment using Philips curve. (8 Marks)

(Total: 20 Marks)

QUESTION SIX

- (a) Discuss on three international trade barriers. (6 Marks)
- (b) Critically examine two opportunities gained from international trade. (4 Marks)
- (c) Explain three benefits of world trade organization. (6 Marks)
- (d) Identify four benefits of economic liberalization. (4 Marks)

(Total: 20 Marks)

QUESTION SEVEN

- (a) Compare and contrast monetary and fiscal policy instruments used by the government of Rwanda. (10 Marks)
- (b) Explain how monetary and fiscal policies harmonization is possible in economic development of a country of your choice. (6 Marks)
- (c) Assume That prices are rigid and people's expectations are affected by the policy using a graph show how a contractionary monetary policy affects the exchange rate and output. (4 Marks)

(Total: 20 Marks)

End of Question Paper

