

**THE NATIONAL EXAMINATIONS COUNCIL OF TANZANIA**



**CANDIDATES' ITEMS RESPONSE ANALYSIS REPORT  
FOR THE ADVANCED CERTIFICATE OF SECONDARY  
EDUCATION EXAMINATION (ACSEE) 2017**

**151 ECONOMICS**

**THE NATIONAL EXAMINATIONS COUNCIL OF TANZANIA**



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**151 ECONOMICS**

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## FOREWORD

The National Examinations Council of Tanzania is pleased to issue the Advanced Certificate of Secondary Education Examination (ACSEE) 2017, items response analysis report in Economics Subject. The analysis provides feedback to students, teachers, parents, policy makers and the public in general on the performance of the candidates.

The Advanced Certificate of Secondary Education Examination marks the end of two years of advanced Secondary Education. It is a summative evaluation which, among other things, shows the effectiveness of the education system in general and the education delivery system in particular. Essentially, the candidates' responses to the examination questions is a strong indicator of what the education system was able or unable to offer to the students in their two years of Advanced Secondary Education.

The analysis presented in this report intends to contribute towards the understanding of possible reasons behind the candidates' responses in Economics Subject. The report highlights some of the factors that made the candidates to score high marks in the questions. Such factors include ability to adhere to the demand of the questions, identify task of the questions, express themselves in English Language and the acquisition of knowledge of the concepts related to the subject. On the other hand, the analysis highlights the factors that made a few of the candidates to score low marks in the questions. Such factors include; failure to adhere to the demand of the questions, failure to identify the task of the questions, and lack of knowledge on the question related to the subject. The feedback provided will enable the educational administrators, school managers, teachers and students to identify proper measures to be taken in order to improve the candidates' performance in future examinations administered by the Council.

The National Examinations Council of Tanzania will highly appreciate comments and suggestions from teachers, students, school inspectors, curriculum developers and the public in general, that can be used in improving future reports.

Finally, the council would like to thank the Examinations Officers, Examiners and those who participated in processing and analysing the data used in this report.



Dr Charles E Msonde  
**EXECUTIVE SECRETARY**

## **1.0 INTRODUCTION**

This report presents the performance of the candidates who sat for the Advanced Certificate of Secondary Education, May 2017 in Economics examination. This report shows how the candidates performed on each question per topic.

The examination comprised of two papers: Economics 1 (Economic Theory) and Economics 2 (Economic Development). Each of the examination paper consisted of 8 questions which were distributed into sections A and B, of which the candidates were required to answer 5 questions, choosing at least 2 questions from each section. Each question carried 20 marks.

A total of 9,364 candidates sat for the ACSEE 151 Economics paper out of which 9,294 candidates (99.56 %) passed this examination while 41 candidates (0.44 %) failed. Generally, the candidates' performance in this subject increased by (1.56%) compared with that of 2016 in which out of 11,826 candidates who sat for that examination, 11,505 candidates (98.00%) passed and 235 candidates (2%) failed.

This report provides the analysis of each question by briefly giving an overview of what the candidates were required to do, the way they responded and the reasons for their good/poor performance. In this analysis, a question /topic is graded as poorly performed, averagely performed or good performed using the following pass rate: 0 – 34 percent (0 - 6.5 marks) weak, 35 – 59 percent (7 – 11.5 marks) average and 60 – 100 percent (12 - 20 marks) good. Special colours have been used to show the candidates' performance whereby green stands for good, yellow for average and red for weak as seen in the graphs and in the appendix. Some extracts of the answers showing the candidates responses have been included in order to provide a general overview of how the candidates responded according to the demand of each item.

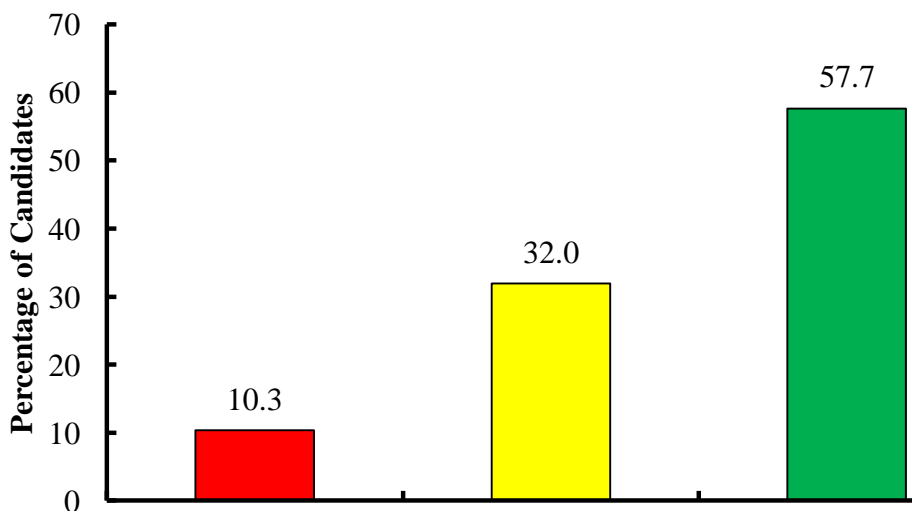
## 2.0 ANALYSIS OF THE CANDIDATES' PERFORMANCE IN EACH QUESTION

### 2.1 PAPER 1: 151/1 ECONOMIC THEORY

#### 2.1.1 Question 1: Subject Matter of Economics

This question had two parts, (a) and (b). In part (a), the candidates were required to give a brief explanation of economic concepts. In part (b), they were required to provide six points to distinguish command economy from a free market economy.

The question was attempted by 82.3 percent of the candidates, out of which 57.7 percent scored from 12 to 20 marks, 32.0 percent scored from 7 to 11.5 marks and 10.3 percent scored from 0 to 6.5 out of the 20 allotted marks. Generally, the performance of candidates in this question was good as 89.7% scored 7 marks and above. Figure 1 shows the distribution of the candidates' scores.



**Figure1:** Candidates' Performance in Question 1

The candidates who performed well in this question were able to provide explanation on each of the economic concepts. For example, in part (a), most of them explained the concepts with examples such as Economic goods *are goods which possess utility and are not freely provided e.g. cars etc.* A Transformation curve *is the locus of points which show the combination of two products produced* and Wants *are human desires which must be satisfied by certain needs.* In part (b), candidates were able to provide clear responses demanded by providing distinctions between command economy and a free market economy by using points like: *decision making, welfare of the people, freedom of choice on production, equality*

and competition. Moreover, they were able to defend each of them with explanations as seen in Extract 1.1.

### Extract 1.2

1. (a) (i) Economic goods: These are goods which possess utility and value. They are not provided free, therefore effort is made to obtain them and payment must be made. Example of Economic goods car, Aircraft, telephone.
- (ii) A transformation curve: This is the curve which shows the locus of point.
- (iii) A transformation curve: This is the locus of point which show the combination of two product which are produced. Example Tea and coffee. It assumes the following. Constant technology, only two commodities are produced, fixed resources.
- (iv) wants: These are all human desires which must be satisfied by a certain need. Example hunger is satisfied by food, thirsty is satisfied by water.
- (v) Marginal utility: This is the additional satisfaction obtained by a person from consumption of each one additional unit of a product.
1. (b) Command Economy: Is the economic system in which all major means of production are collectively owned by the government and decision making on what, how and for whom to produce is made by the government through central planning. While.
- Free market Economy is the economic system in which there are private ownership of the major means of production and decision for what, how and for whom to produce is made by the force of demand and supply.

|    |  |
|----|--|
| Is | (b) The Following are the different between command and economy and Free market Economy.   |
|    | Ownership: in command economy the major means of production is owned collectively by the government factor such as Land and capital are owned by the government while in Free market economy the ownership of the major means of production such as capital, Land, Labour is by individual private.                            |
|    | Decision making: in command economy, the government through central planning decide on behalf of other what to be produced and consumed while in Free market Economy decision on what to produce how, for how is made with the view of force of demand and supply of the commodities.  |
|    | Equality: in command economy there is equality in term of ownership where all means of production is owned by the government also it distribute the income / national cake to all people while in Free market economy there is inequality in ownership of income and other properties.   |
|    | Welfare of the people: in command economy the welfare of the people are preserved where the government undertakes to produce necessary goods while in Free market Economy the welfare are ignored this is because private sector is at profit maximization therefore they tend to produce those goods which fetch high prices. |
|    | Freedom of choice: in command economy there is no freedom of choice on what to produce and consume since the government decide on behalf therefore there is limited choice while in  |

Extract 1.1 is a response from the candidate who managed to explain the economic concepts in part (a), and provided a distinction between a command and a free market economy in part (b), thus scoring high marks.

Some candidates, who performed averagely, provided a few correct points and other incorrect points in both parts of the question. This implies that the candidates were

less equipped with the theoretical knowledge in that particular topic. In part (a), for example, a candidate on one hand insufficiently explained the concepts of economic goods *only as goods acquired at a cost* and wants as *human desires* and on the other hand the candidate provided a wrong explanations of the concepts of transformation curve *as the curve which show relationship between demand and supply* and marginal utility *as the ability of a firm to produce at the required amount*.

In part (b), the candidates provided less points than the required to distinguish command economy from a free market economy. For example, one of the candidates provided only two correct points out of the six required differences such as: *ownership of resources* and *decision making* while the other four points were incorrect.

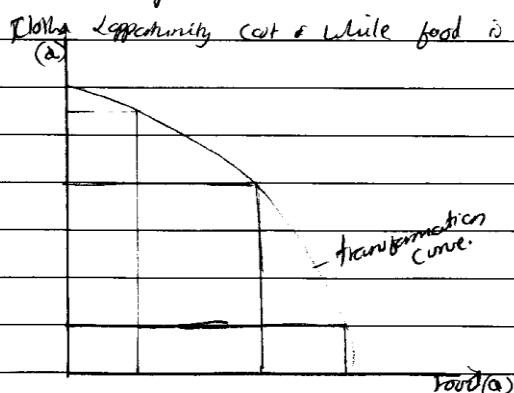
However, a few candidates (10.3%) who scored low marks failed to provide correct responses. For example in part (a), one of the candidates incorrectly explained that a transformation curve *is a curve that diverges outwards or the possibility frontier curve showing an increase in economic growth* and wants *as the needs human being or consumer require for personal consumption*.

In part (b), most of the candidates failed to distinguish command from a free market economy. Some misunderstood the question and provided the features of a mixed economy instead of the distinctions between command and free market. For example, one of the candidates provided points like *co-existence of both public and private sector and joint venture of some investments*. Others provided incorrect responses. For example, one of the candidates provided a response such as: *in a command economy there is private ownership of all major means of production, in free market economy there is collective ownership, in a free market economy the government interfere with the economic activities*. Extract 1.2 shows a sample of a poor response.

## Extract 1.2

i/ Economic goods:- These are types of goods that are used for production of other goods. Example of this goods can be machines; that is machines are used to produce other goods. These kind of goods are expensive due to the functions that they play.

ii/ A transformation curve; is a locus point shows the utilization of resources and use of one factor while other is foregone due to scarcity in the economy. Example a manufacturer wants to produce cloth but at the same time wants to produce food so he has to produce cloth.



iii/ Wants; These are the necessary needs demanded by a customer. Unlike needs, these are not that necessary for the living of an individual. Human wants can be education, cars, cigarettes though they are not necessary, they are just needed by individual for making life better.

1 b. The Following are the differences between a command economy and a free market economy.

In a command economy; There is private ownership of all major means of production. That is to say the means of production are owned by few individuals who are well off economically.

WHILE;

In a Free market economy there is collectively ownership of the major means of production. That is to say every individual has a right to own means of production including land.

In a command economy; The Government does not full interfere with the economic activities. For example in price setting.

WHILE

In a Free market economy the Government interfere with the economic activities. It can set prices for the production of goods and services.

In a command economy; It is free from the presence of trade restrictions including importation of tariffs.

WHILE;

In a free market economy there is import of tariffs. That is to say there is presence of trade restrictions.

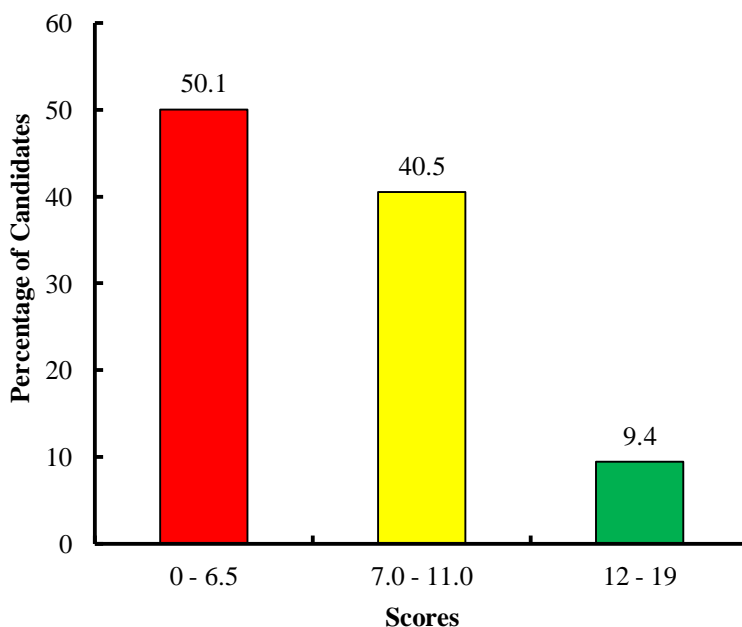
Extract 1.2 presents a sample of one of the candidate's poor responses. In part (a) of the question the candidate failed to explain the economic concepts. In part (b), he/she provided features of a command economy as features of a free market economy instead of the distinctions between a command and a free market economy.



### 2.1.2 Question 2 Markets

This question had two parts, (a) and (b). In part (a), the candidates were required to assess the significance of competitive market in the economy. In part (b), they were required to identify five roles played by price in a free market situation.

The question was attempted by 49.9 percent of the candidates out of which 9.4 percent scored from 12 to 19 marks, 40.5 percent scored from 7 to 11 marks and 50.1 percent scored from 0 to 6.5 out of the 20 allotted marks. Generally, the performance in this question was average because almost 50% of the candidates scored 7 marks and above. Figure 2 shows the distribution of the candidates' scores.



**Figure 2:** Candidates' Performance in Question 2

The candidates who scored from 12 to 19 marks were able to assess the significance of competitive market in the economy in part (a) such as: *a competitive market involve production of efficient goods and services, efficient utilization of resources due to competition, it offers freedom of choice to the consumers and a wide range of quality goods and services and that in a competitive market weaker firms may be removed from the market.* In part (b), most of the candidates managed to identify the roles played by price in a free market. For example, one of the candidates identified the roles such as: *in a free market price play the roles of giving value of*

goods, stimulate production, and determination of supply to respond to change in demand. This indicates that the candidates had good knowledge of the subject matter. Extract 1.2 shows a sample of a good response.

### Extract 2.1

2. Competitive market refers to the type of market which contain many firms who compete in cutthroat competition. Competitive market may involve firms with the similar or identical products example Coca-cola and Pepsi, Azam mango and Mo mango. The following are the significance of competitive market in the economy.

Involve production of efficient goods and services; due to competition among firms in the market may lead to the production of

2a efficient goods and services than in a monopoly market which may produce inefficient products.

Effectively utilization of resources; due to competition among firms in the market the resources available in the country can be fully utilized and effectively used to the firms.

They offer freedom of choice to their consumers; in the competitive market the consumer may decide what goods and service to consume according to the amount of income he/she have rather than in monopoly.

It provide wide range of quality and quantity goods and services; in competitive market there is effectively utilization of resources that is why there is wide range of goods and services needed by the consumer.

The weak market may be removed in the market; due to competition among firm in the competitive market some of the poor or weaker market will fail to compete may be removed within the market.

|    |   |
|----|---|
| 26 | <p>Price of a commodity refers to the money which is paid when a consumer wants to buy good and services. Free market situation involve the determination of price by the use of price mechanism. The followings are the roles of price in the free market situation.</p> <p>To give value of an item in the market; if the price is high means the value of that good or services have high value rather than the low price which determine the lower value of commodity.</p> <p>To stimulate production; if the price is high in the free market economy may stimulate peasant and produce to produce many products in the market.</p> <p>It increase the demand of goods and services in the market; the price in the free market economy may be used to stimulate the demand of goods if the price is affordable by every person.</p> <p>It determine the cost of production of the goods or commodities; also price of a commodity in the free market economy may be used to determine the cost which was incurred during production of such commodity.</p> <p>It may contribute to the increase in government revenue if the price is high of the certain commodity, mean the government may collect revenue through Value Added Tax (VAT) so as it may increase its amount of revenue in the government.</p> |
|----|---|

Extract 2.1 shows a sample of a response from a candidate who was able to give the assessment of the significance of competitive market in the economy as he/she had adequate knowledge on the subject matter.

The candidates who scored from 7 to 11.5 marks were able to explain a few correct points due to insufficient knowledge of market. For example, in part (a), one of the candidates instead of assessing the significance of competitive market in the economy he/she explained the conditions of perfect competition like: *no transport cost, perfect knowledge, free entry and exit the market* which were not part of the requirements of the question. Others misinterpreted the demand of the question. In part (b), the candidates were able to identify a few correct roles played by price in the free market situation.

However, candidates who performed poorly misunderstood part (a) of the question. For example, instead of assessing the significance of competitive market in the economy one of the candidates explained features of a perfect market like: *no government intervention, firm is a price taker and no advertisement*, all of which were irrelevant to what was demanded by the question. Other candidates provided incorrect identification of the roles of price in a free market situation. For example, one of the candidates provided the roles like: *no bargaining, price discrimination and dividing consumer due to income*. Extract 2.2 shows a sample of a response from a script of a candidate who misconceived part (a) and provided incorrect responses in part (b) of the question.

## Extract 2.2

2(a) Competitive market in the economy, this is a type of market which is divided into Perfect competition market and Imperfect competition market in economy. There are significance of competitive market in the economy.

The following are significance of competitive market.

Buyers and seller, this means that in competitive market there is presence of many buyers but few seller in the market of competitive means that produce has limit but buyers have no limit in this market.

Entry and Exit, in competitive market there is free entry and exit means buyers can enter and can go they are not suppose to stay for a time ever seller has a right to enter and exit in this market.

Product (good), in competitive market there is presence of homogeneous product in the market means only one type of product is produce in this market and not more than one product produced.

Price maker, in competitive market, they are the price maker means that price is made by them alone and not by government or any one else can make a price of their product.

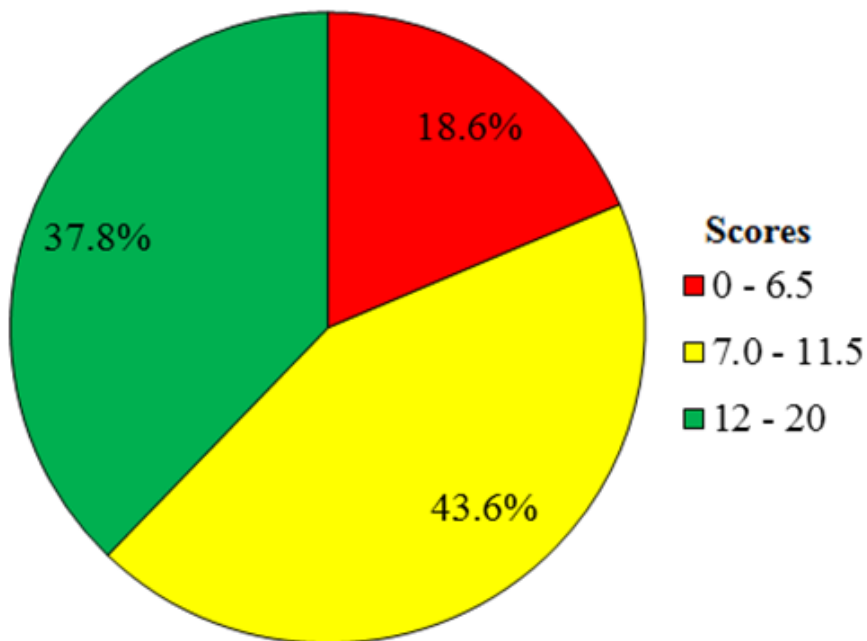
Extract 2.2 shows a sample of a response from a script of a candidate who failed to assess the significance of competitive market. The candidate provided the conditions of perfect competition instead of the significance of competitive market. Accordingly, the candidate was unable to identify the roles of price in a free market situation.

### 2.1.3 Question 3: Production

This question had three parts, (a), (b) and (c). The candidates were required to: (a) define minimum wage legislation, (b) describe the advantages of minimum wage

legislation by giving five points and (c) explain four disadvantages of raising wage above equilibrium wage rate.

The question was attempted by 24.2 percent of the candidates out of which 37.8 percent scored from 12 to 20 marks, 43.6 percent scored from 7 to 11.5 marks and 18.6 percent scored from 0 to 6.5 out of the 20 allotted marks. Generally, the performance in this question was good as 71.4% performed well. Figure 3 shows the distribution of the candidates' scores.



**Figure 3:** Candidates' Performance in Question 3

The candidates who scored high marks in part (a), were able to define minimum wage legislation. Furthermore, in part (b), they provided the advantages of minimum wage legislation such as: *help to control voluntary unemployment, promotes equality in income distribution, increase efficiency of labour and increase the standard of living*. In part (c), the candidates managed to explain the required disadvantages like: *raising wages above equilibrium wage rate will increase demand for goods and services by labourers hence lead to inflation, will increase the cost of production and reduce demand for labour by firms or employers, lead to unemployment and lead to collapse of industries due to increase in costs of production*. Extract 3.1 shows a sample of a good response.

### Extract 3.1

|    |   |
|----|---|
| 3a | <p>Minimum wage legislation is the government policy of fixing a minimum wage of labour above the existing wage level which is paid by the employer. The government thinks that the going wage level is very small to labourers -</p>   |
| 3b | <p>Advantages of minimum wage legislation:</p> <p>It help to control voluntary unemployment: people who were affected by <del>market</del> voluntary unemployment may be encourage to find for jobs due to the increase in wages by the government.</p> <p>It increase the living standards of the people: Minimum wage legislation increase and improve the living standard of the people who were poorly paid by increasing the purchasing power of people to demand for goods and services of their choices -</p> <p>It promote equality in income distribution: As the level of wages has increased the income inequality gap will be filled because people are able to purchase commodity at the going price level to the minimum wage legislation.</p> <p>It increase efficiency of labour: Minimum wage legislation is create labour productivity due to the motivating wage level by the government which increase the production of quality and high quantity products.</p> <p>It reduce the burden to the government: Minimum wage legislation reduce government burden to provide for services to people who were affected by low wages by the employers but now people are able to purchase goods and services due to increase in wage level.</p> |

3 c

Disadvantages of raising the wage above the equilibrium wage rate.

**Inflation:** This is the persistent increase in general price level, the raising of the wage above the equilibrium wage rate may increase demand of goods and services by labourers due to increase in wages where it results to increase in general price level due to increase in demand which exceeds supply of goods.

**Increase in cost of production:** This is to producers and employers due to increase in wages which causes increase in variable costs where a firm or employer may be forced to reduce the number of workers to afford paying them the level of wages due to increase in cost of production.

**Unemployment:** This may occur when there is increase in cost of production to employers due to increase in wages by the government to labourers the employer may be forced to reduce the number of labourers to afford the going wage level so this may cause unemployment.

**Decrease in value of money:** This may result due to increase in money in the circulation due to the increase in wage level above the equilibrium wage rate where the increase in money in the circulation it causes the decrease in the value of money.

**Collapse of some industries:** This may be caused by the increase in cost of production due to increase in wage level above the equilibrium wage rate an employer may be forced to close the business due to increase in variable costs like wages to labourers which may cause unemployment to the majority.

Extract 3.1 shows a sample of a response from a candidate who was able to define minimum wage legislation in part (a), explain the advantages of minimum wage legislation in part (b) and explained the disadvantages of raising wages above equilibrium wage rate in part (c).



Furthermore, the candidates who had average performance in question (3) had no good mastery of the subject matter. In part (a), for example, one of the candidates provided an incomplete definition of minimum wage legislation as *the minimum amount of payment*. In part (b), out of the five required advantages the candidate described only two correct ones: *minimum wage promotes equality in the society* and *increase purchasing power*. The other three points concerning *reducing amount of money in circulation*, *reducing cost of production* and *that minimum wage increase strikes* were incorrect. In part (c), the candidate was able to give a restricted explanation of the advantages of raising wages above the equilibrium wage rate by showing only the advantages *to the workers* but ignored the advantages of raising wages to the economy.

However, the candidates who performed poorly in this question had poor mastery of the subject matter. Apart from failing to define the concept of minimum wage legislation they also failed to describe the advantages and disadvantages of minimum wage legislation, and disadvantages of raising wages above the equilibrium wage rate. For example, one of the candidates failed to define minimum wage legislation as he/she wrote: *minimum wage legislation is where wage tend to settle at the level which can be satisfy his/her want of a worker and his/her family*. In part (b), the candidates gave incorrect description of the advantages of minimum wage legislation. For example, one of the candidates provided incorrect advantages such as: *reduce spending*, *encourage overtime working* and *reduce rapid population grow*. The candidate was able to explain only one point that workers could be hard working. Another candidate explained advantages of minimum wage legislation as: *lead to increase the profit of the producer*, *lead to growth and expansion of the firm* and *development of infrastructure* which are incorrect. In part (c), one of the candidates failed to explain the disadvantages of raising the wages above the equilibrium wage rate by providing incorrect points like: *will increase rapid population*, *inefficiency among workers* and *reduce working hours by workers*. Extract 3.2 shows a sample of a poor response.

### Extract 3.2

|   |  |  |
|---|--|--|
|   |  |  |
| 9 | a) Minimum wage legislation. This is where wages tend to settle at the level which can be satisfied by the worker and his/her family.  |  |
|   |  |  |
| 9 | b) advantage of minimum wage legislation   |  |
|   | Reduce spending which can lead to inflation; due to minimum wage legislation a worker can reduce spending since his/her wages tend to be used by himself and family in their daily life. |  |
|   | Encourage hard working since   |  |

|       |   |
|-------|---|
| B (b) |   |
|       | low or minimum wage tend to use in family so it cause a worker to increase hard working that can help him/her to maintain that wage and thus to reduce poverty in the family.   |
|       | Encourage overtime working this comes when a worker want to get a certain bonus in the wage due to minimum wage and thus to increase saving and <del>also</del> also to have higher income.   |
|       | Efficiency of workers since a worker tend to have fear to loss his/her job and have no any assets, which can lead during freedom unemployment so when a worker increase efficiency it may ensure his/her employment in a certain area.      |
|       | Reduce rapid population growth rate since when wage settle at minimum level it discourage worker to have a big family so it cause to have low number of children and discourage people to have many wife thus to balance population growth. |
| B(c)  | Disadvantage of increasing wage above the equilibrium wage rate.  |
|       | Reduce working hours by workers this workers tend to have   |

|      |   |  |
|------|---|--|
| 3(c) | less hours in working areas and more time they busy spending or most of the time deals with their own assets for their private benefit.   |  |
|      | Inefficiency among workers  |  |
|      | Since they have enough income its productivity must be less since they tend conduct their own business and also can work as a part of activities than a worker who his/her wage is at equilibrium.  |  |
|      | Increase spending which can lead to increase in price of goods and services and thus lead to inflation so when labour set wage above the equilibrium level it tends to increase spending  |  |
|      | Increase rapid population growth rate since when labour has more level of income he/she tend to have a large family in fact that can handle a large family so can tend to marry many wives which is lead to high population growth, Though there are many factors which can lead to marriage. |  |

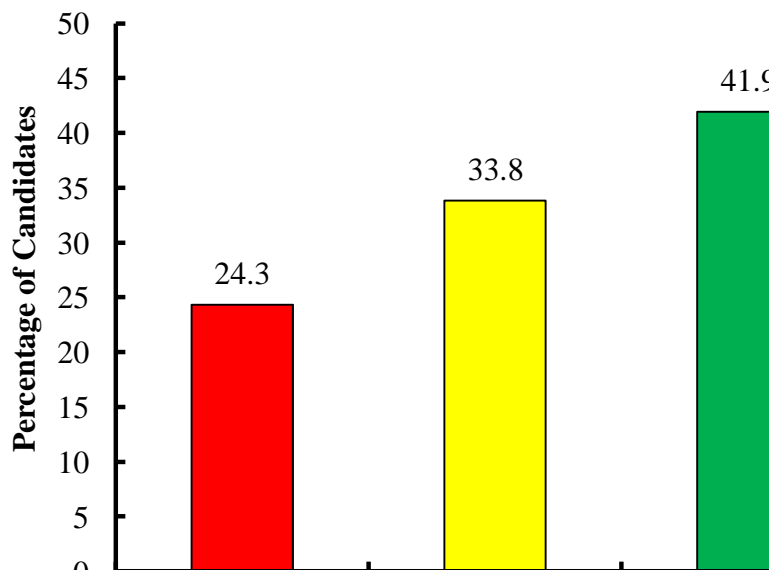
Extract 3.2 shows a sample of a response from a script of a candidate who was unable to define the term minimum wage legislation in part (a). The candidate incorrectly described the advantages of minimum wage legislation as; *reduce spending* and *reduce rapid population growth* in part (b) and he/she incorrectly explained the disadvantages of raising wages above the equilibrium wage rate in part (c).

#### 2.1.4 Question 4: Theory of Demand and Supply

This question had two parts, (a) and (b). In part (a), the candidates were required to outline five limitations of the theory of price mechanism. In part (b), the question required the candidates to explain five cases of elasticity of supply, which are: (i)

Inelastic supply, (ii) Elastic supply, (iii) Unitary elasticity of supply, (iv) Perfectly elastic supply and (v) Perfectly inelastic supply.

The question was attempted by 70.3 percent of the candidates out of which 41.9 percent scored from 12 to 20 marks, 33.8 percent scored from 7 to 11.5 marks and 24.3 percent scored from 0 to 6.5 out of the 20 allotted marks. Generally, the performance in this question was good because 75.7% of the candidates performed well. Figure 4 shows the distribution of the candidates' scores.



**Figure 4:** Candidates' Performance in Question 4

The candidates who performed well in this question were able to apply the learned concepts to the existing situation. For example, in part (a), some of the candidates were able to provide correct responses demanded by outlining the limitations of the theory of price mechanism such as *price mechanism leads to negative externalities, unemployment, is not favourable for welfare goods*. In part (b) (i), (ii), (iii), (iv) and (v), the majority of the candidates were able to use relevant diagrams to explain cases of elasticity of supply. For example, one of the candidates used relevant diagrams to explain different cases of elasticity of supply such as: *inelastic supply is whereby a greater change in price brings about a small change in quantity supplied*. The candidate also used relevant diagrams to explain other cases of elasticity of supply such as: *perfectly elastic supply, unitary elastic supply and perfectly inelastic supply* as demanded by the question. Extract 4.1 shows a sample of a candidate who responded well in this question.

## Extract 4.1

### 4. (a) Price mechanism theory

Is whereby the price of goods and services is determined by market force of demand and supply.

#### Limitation

##### - May lead to negative externalities

This is one of the limitation of the price mechanism whereby it may lead to negative externalities such as air pollution, water pollution, which may lead problems to the environment as the government does not interfere them.

##### - May ~~inequalities~~ income inequalities

This is due to the fact that goods go to those who are willing and able to buy. So those who are able are the rich people and the affected ones are the poor people. So this leads to income inequalities between poor and the rich people.

##### - May lead to production of harmful products

As the government does not interfere in the production process, so this may cause producers to produce even those goods which are harmful to the health of the people as they only do for profit motives.

##### - In price mechanism welfare of the people is ignored

In price mechanism they produced goods which fetch high profit, so due to this welfare of the people is being ignored as the producer they produce luxury goods and forget about inferior goods which are largely demanded by the poor, so welfare of the majority is being ignored.

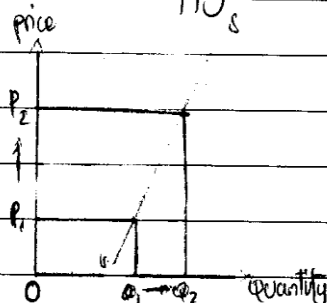
##### - May lead to monopoly tendency

This also is one of the price mechanism, whereby no government which by business price may lead to the rise of monopoly as the producer will fix their own price of goods they produce.

#### 4 (b) Inelastic supply

This is the elasticity of supply whereby <sup>large</sup> change in price brings small change in quantity supplied.

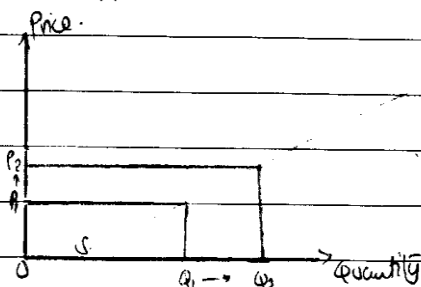
Always price inelastic supply is less than one ( $P_{es} < 1$ ) -



#### i. Elastic supply

This is the elasticity of supply whereby <sup>small</sup> change in price it brings large proportional change in quantity supplied.

Always Elastic supply is greater than one ( $P_{es} > 1$ )

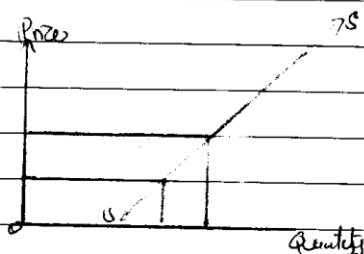


#### iii. Unitary elasticity of supply

Price elasticity of supply is unitary when price change is directly proportional to the change in quantity supplied.

Always Unitary elasticity of demand is equal to ~~zero~~ <sup>one</sup>  $P_{es} = 1$

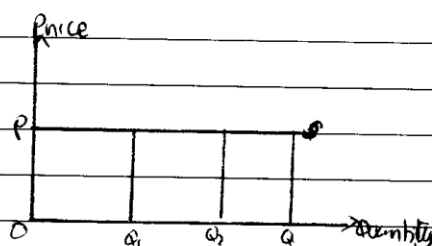
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1. Perfectly elastic supply

This is the price elasticity of supply where buying price remain constant while quantity supplied changes.

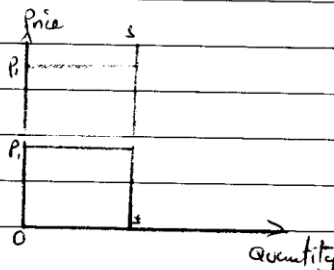
$$P_{es} = 0$$



2. Perfectly inelastic supply

Also this is one of the elasticity of supply whereby Price supplied changes while quantity ~~demanded~~ <sup>supplied</sup> remain constant.

$$P_{es} = \infty$$



Extract 4.1 shows a response from a candidate who was able to outline limitations of the theory of price mechanism in part (a). He/she managed to use relevant diagrams to explain five cases of elasticity of supply in part (b).

The candidates who scored from 7 to 11.5 marks were able to outline a few correct limitations of the theory of price mechanism. They also provided partially correct answers when explaining various cases of elasticity of supply. In part (a), for example, out of the five required limitations, one candidate outlined two. In part (b),

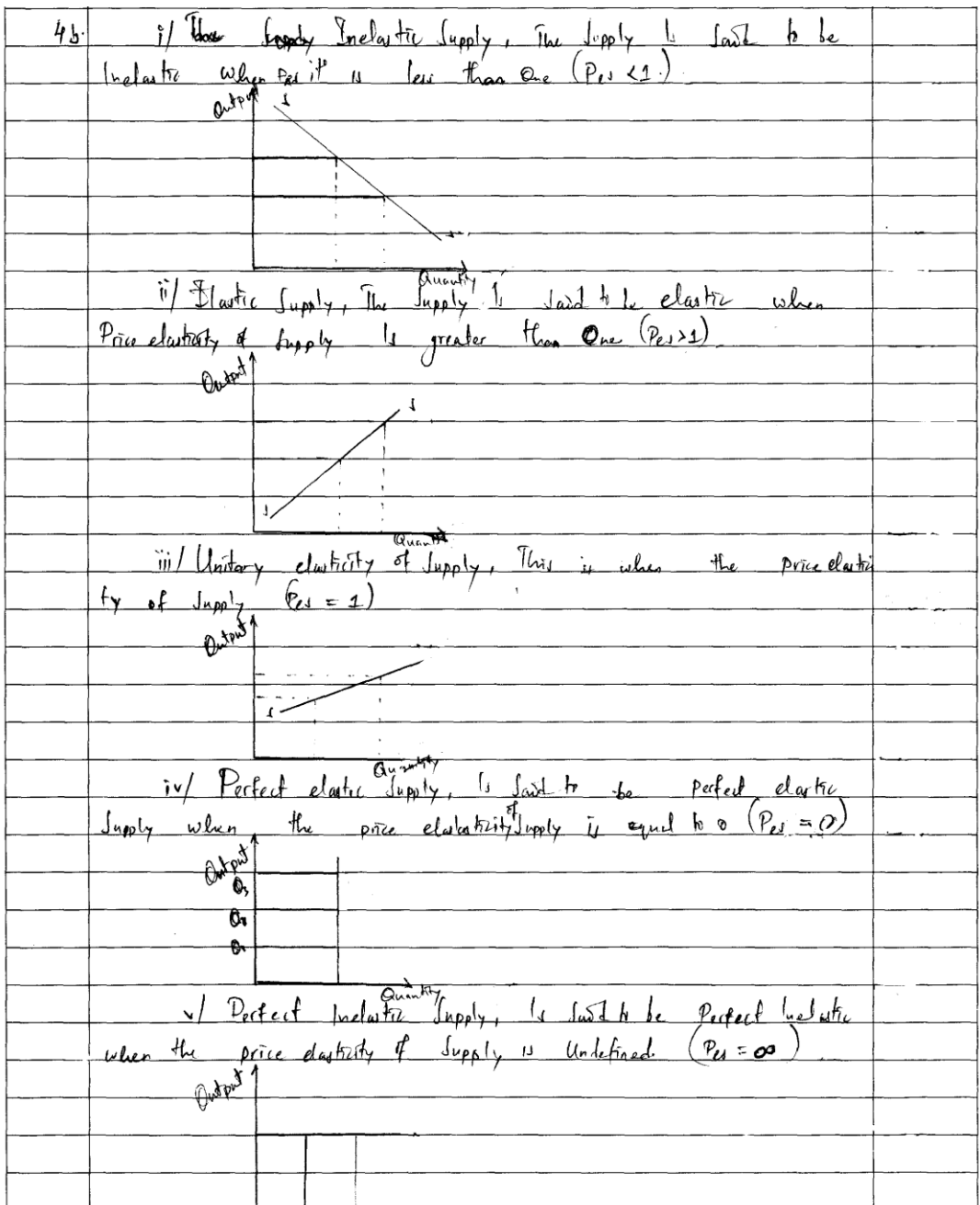


the candidate used irrelevant diagrams and was unable to relate his/her points to the concepts of elasticity of supply. Others insufficiently explained the cases of elasticity of supply.

On the other hand, the candidates who did not perform well in this question failed to provide the limitations of the theory of price mechanism in part (a). Also they were not able to explain various cases of elasticity of supply in part (b). For example, one candidate provided the advantages of price mechanism as *determination of price of the commodity is based on the amount of production, price mechanism may improve the welfare of people* instead of the limitations of price mechanism like *it leads to fluctuations in prices and income, it leads to unemployment due to free entry and it tends to give rise to development of monopolies who exploit consumers*. In part (b), the candidates misconceived the demand of the question. For example, one of the candidates provided explanation of the increasing and constant returns to scale like *elastic supply occurs when the inputs provide large proportionate change of output, unitary elastic supply is when the inputs bring equal proportionate change with output* instead of the cases of elasticity of supply. Extract 4.2 shows a sample of this response.

#### Extract 4.2

|      |   |
|------|---|
| 4(a) | <p>Price mechanism refers to the system under which the economic decisions on how to produce, where to produce and when to produce are done in the view of prices of factors of production and of the commodities and the price of the factors of productions.</p> <p>The following are the limitations in the price mechanism theory.</p> <p>1. <del>Eff</del> Allocation of Resources is done when there is enough capital so as to invest in the productions.</p> <p>The determination of price of the commodities based on the amount of production, if there is large production price will fall unlike when there is low production price will rise.</p> <p>The economic questions on how to produce, where to produce, when and by whom to produce can be largely succeeded when there is good climatic conditions.</p> <p>The price mechanism cannot be effectively succeeded when there is poor administration and supervision.</p> <p>The price mechanism may improve the welfare of the people only when there is large output produced.</p> |
|------|---|



Extract 4.2 presents a sample of one of the candidate's poor responses. The candidate provided incorrect limitations of the theory of price mechanism in part (a). In part (b), he/she correctly explained the case of elasticity of supply (i), (ii) and (iii) but failed to draw correct diagrams.

### 2.1.5 Question 5: Trade Cycles

The question had two parts, (a) and (b). In part (a), the candidates were required to describe five measures that a country can adopt to control recession in a trade cycle, while in part (b) they were required to explain five factors for upswing and down swing of the level of economic activities.

The question was attempted by 93.2 percent of the candidates, out of which 61.3 percent scored from 12 to 20 marks, 27.5 percent scored from 7 to 11.5 marks and 11.2 percent scored from 0 to 6.5 out of the 20 allotted marks. Generally, the performance in this question was good as 88.8% of the candidates performed well. Figure 5 shows the distribution of the candidates' scores.

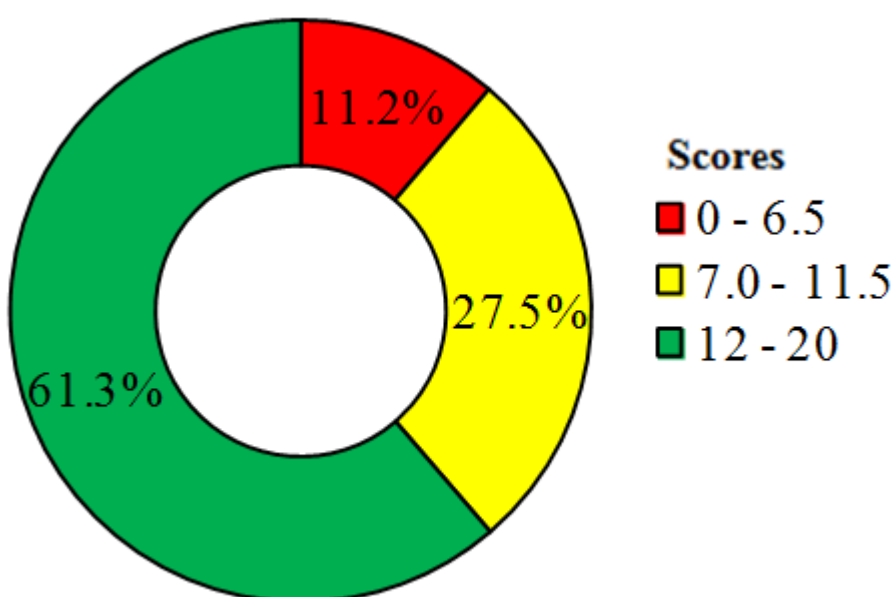


Figure 5: Candidates' Performance in Question 5

Most of the candidates who performed well in this question were able to describe five measures which a country can adopt to control a recession in a trade cycle in part (a). For example, most of the candidates described that a recession can be controlled by; *the use of expansionary monetary measures, use of expansionary fiscal policy, price and wage control, exchange rate policy, and trade policy*. They were also able to explain five factors for upswing and downswing of the level of economic activities in part (b). For example, one of the candidates explained correctly the factors such as *climatic conditions, political factors, monetary factors, fiscal factors and psychological factors*. Extract 5.1 shows a sample of good responses.

## Extract 5.1

5(a) Expansionary monetary policy:  
A country can use different monetary policies so as to control the recession in a trade cycle where by the government can increase money supply in the economy so as to control economic recession. For example the government can provide credits to the people so as to control economic recession.

Expansionary fiscal policies: Also in a country the government can use the expansionary fiscal policies so as to control recession in a trade cycle. For example the government can increase its expenditure so as to create employment opportunities also the reduction of taxation which can stimulate production.

Exchange rate policy: The country also can control recession in a trade cycle through exchange rate policy where by the government can control the rate of foreign exchange in term of domestic currency where by the government fixes higher exchange rate.

Price and wage control: Also the country can control the price of goods and services together with wage where by the government can fix the minimum price which can encourage consumers also the government can control the wages of the people so as to control economic recession.

5(a) Trade policy: Also The government can use trade policy to control recession in a trade cycle where by the government can impose tariffs against importation so as to encourage production of domestically produced goods and also to promote export which can lead to recovery.

5(b) Climatic condition: When the climatic condition is favourable economic activities are stimulated such as agriculture and can lead to upswing of economic activities but when climatic condition is unfavourable economic activities will be discouraged and lead to downswing. For example agriculture tends to be active when there is favourable economic climatic condition.

Political factors: The action of politicians can lead to upswing and downswing of level of economic activities where by during elections political tends to apply expansionary measures which can stimulate economic activities so as to enable them to win in election but after the election they tend to apply contractionary monetary measures, so this can lead to upswing and downswing of the level of economic activities.

Monetary factors: This also can lead to either upswing and downswing of the level of economic activities.

Extract 5.1 shows a good response from a candidate who was able to describe measures to control recession in a trade cycle in part (a). He/she was also able to explain factors for upswing and downswing of the level of economic activities in part (b).

The candidates who scored from 7 to 11.5 marks provided insufficient description of the measures a country can use to control a recession in trade cycle and factors for upswing and downswing of the level of economic activities in part (a) and (b). In

part (a), for example, out of the five required measures most of the candidates described a few like: *monetary factors, fiscal factors, and political factors* but were unable to identify and describe other measures. In part (b), most of the candidates adequately explained only political and climatic factors. Some were unable to give more factors. Those who provided all the required factors did not completely explain how those factors could lead to upswing and downswing of the level of economic activities.

The candidates who performed poorly in this question were unable to describe the measures which a country can adopt to control recession in a trade cycle in part (a). This is because of poor mastery of the subject matter. For example, one of the candidates provided incorrect measures like *increase in capital, increase in trained personnel, and improvement of working condition* instead of the measures. In part (b), most of the candidates misunderstood the demand of the question. For example, one of the candidates provided separate explanations one showing factors for upswing and another for downswing instead of the factors for upswing and downswing of the level of economic activities. Other candidates provided incorrect factors such as *provision of funds, proper utilization of resources, lack of good transport and communication*. A sample of a poor response is shown in Extract 5.2.

## Extract 5.2

(5 a) Trade cycle means fluctuation of the market economy. It is categorized in four stages and that is boom, recession, depression and recovery. They all go perpendicularly and in different seasons. The following are measures in the country that can be adapted to control recession in trade cycle:-

Increase in capital; a firm must increase its capital so as to increase the number of resources which are used in producing and thus will help to control the recession stage in the trade cycle.

Increase in investment; by increasing investment the firm will be able to tackle the recession stage and will be able to go back to boom or remain stagnant for a while. hence controlled

Increase trained personnel; by increase well and trained personnel it is quite necessary to make sure that goods are produced at the best quality and with the standard of living will be improved.

|      |  |
|------|--|
| (5a) | Improvement of technology; when the technology of production is improved it will become easier for the firm to produce more unit of output and at a high income hence controlling recession.             |
|      | Improvement of workers working condition; if the worker's condition to work are improved then it will help control the recession stage and thus will improve it the more by improving working condition. |
|      | In conclusion; it will help the firm to increase it's capability of producing more even when the firm is declining. Therefore Improve the standard of living of people and the firm.                     |
| (5b) | Upswing of level of economic activity  |
|      | → Improvement of technology  |
|      | → Provision of funds   |
|      | → Proper utilization of resources  |
|      | → Government support   |
|      | → Increase in income   |
|      | Downswing of level of economic activity  |
|      | → Lack of good transport and communication   |
|      | → Insufficient capital   |
|      | → Shortage of social service   |
|      | → Lack of education  |

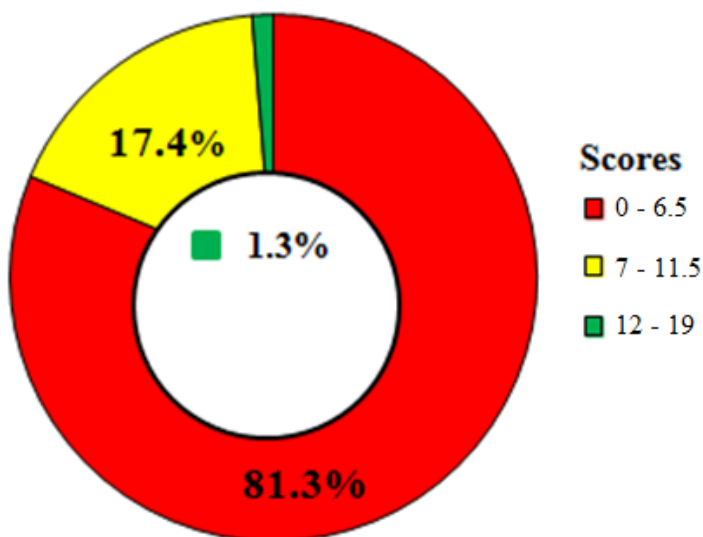
Extract 5.2 shows one of the poor responses from a candidate who was unable to describe measures that a country can adopt to control recession in trade cycle in part (a). In part (b), the candidate mentioned improvement of technology correctly, but failed to mention and explain factors for upswing and downswing of the level of economic activities.



### 2.1.6 Question 6: Theory of the Firm

The question had parts (a) and (b). In part (a), a firm is operating under the condition of imperfect competitive industry. Cost and revenue functions are given as:  $TC = 2Q + 5$  and  $AR = 8 - Q$ . If the firm is incurring a loss of 77 T.shs, candidates were required to compute the level of output at which the firm was producing. In part (b), they were required to give six reasons which have caused this firm to incur losses.

The question was attempted by 42.7 percent of the candidates, out of which 81.3 percent scored from 0 to 6.5 marks, 17.4 percent scored from 7 to 11.5 marks and 1.3 percent scored from 12 to 19 out of the 20 allotted marks. Generally, the performance in this question was poor as 81.3% of the candidates performed poorly. Figure 6 shows the distribution of the candidates' scores.



**Figure 6:** Candidates' Performance in Question 6

The candidates, who performed poorly, had poor arithmetic skills which led them to apply a wrong formula to calculate the level of output in part (a). For example, one of the candidates wrongly calculated output at which the firm was producing by equating TC with AR and incorrectly obtained the output at which the firm was producing as equal to -6 units. Others calculated output level by equating MC with MR, which is also incorrect.

In part (b), most of the candidates failed to understand the subject matter. Some of them confused the reasons which made the firm to incur losses with the conditions given for the firm to maximize profit. For example, one of the candidates provided the conditions such as: *the firm's marginal cost curve doesn't cut the marginal*

revenue curve from below, average revenue is not equal to marginal revenue, and price should be greater than marginal cost instead of the reasons which may have led the firm to incur losses. Others misinterpreted the question. For example, one of the candidates explained the factors that led to the establishment of the firm as: *availability of electricity, water supply and infrastructure*. Extract 6.1 shows a sample of a poor response.

#### Extract 6.1

6a) Total cost is the all cost including fixed cost plus variable cost  

$$TC = TFC + TVC$$
  
 TR = is sum up all revenue that is found by multiplying Price and quantity  

$$TR = P \times Q$$
  

$$TC = 2Q + 5$$
  

$$AR = 8 - Q$$
  

$$TR = AR \times Q$$
  

$$TR = (8 - Q)Q$$
  

$$TR = 8Q - Q^2$$
  
 find the level of output  

$$TC = 2Q + 5$$
  

$$TR = 8Q - Q^2$$
  

$$MC = 2$$
  

$$MR = 8 - Q$$
  

$$2 = 8 - Q$$
  

$$2 - 8 = -Q$$
  

$$Q = -6$$
  
 The firm produce under - (6)

6 b) One of the cause that make this firm to incur loss is that if it is presented graphically the marginal cost curve it does not cut the marginal revenue from below.

Second is that the average revenue is not equal with marginal revenue one of the condition that for a firm to maximize profit marginal revenue should be equal to average revenue in which in this firm it does not happen.

Thirdly is that price should be greater than average total cost by just see that from that data the price will be greater than the price when computing at end will bring 0

$$ATC = \frac{2Q + 5}{Q} \quad P \times Q = TR \quad TR = 8Q - \frac{Q^2}{4}$$

$$ATC = 2 + \frac{5}{Q}$$

$$ATC = 2 + \frac{5}{6}$$

$$ATC = 1 \frac{1}{6}$$

$$TR = 8 - \frac{Q^2}{4}$$

$$= 8 - Q$$

Fourthly is that the cut point is -6 that is the cause of obtaining loss since when computing the output is diminishing since it shows that there is a point in production when marginal product equals to zero then at certain continues a firm get loss it is that stage in this firm it is producing under third stage.

Fifth stage that in this firm is operating imperfect competitive industry where price is not equal with other industries may be the industry is selling above the other prices of other industries and it does not want to lower its price this will be the cause of the firm to incur loss

Extract 6.1 presents a sample of one of the candidate's poor responses. The candidate was unable to apply the correct formula to compute the level of output at which the firm was producing in part (a) hence ended up obtaining an incorrect answer. He/she also failed to give reasons which led the firm to incur losses in part (b).

However, the candidates who performed averagely in this question showed partial understanding of the subject matter. In part (a), most of the candidates provided incomplete answer due to inadequate arithmetic skills which made them unable to compute the level of output at which the firm is producing. For example, one of the candidates used wrong formula based on  $MC=MR$  (but ignored the loss which was given as 77 T.shs). Through this wrong approach, the candidate wrote that *the level of output at which the firm is producing (Q) was equal to 3 units*.

In part (b), most of the candidates provided insufficient correct reasons. For example, one of the candidates provided three out of the six required reasons such as: *high cost of production due to high price of raw materials or factors of production, fall in demand or market for the product of the firm, poor technology and underutilization of resources*.

A few candidates (1.3%) who scored from 12 to 19 marks were able to apply the arithmetic skills learned to compute the level of output at which the firm was producing in part (a). For instance, one of the candidates used a correct formula and was able to calculate the level of output at which the firm was producing (Q) as 12 units. In part (b), they correctly explained the reasons which made the firm to incur losses. For example, one of the candidates wrote that, the reasons which could have led the firm to incur losses are *low technology that leads to high cost and lowers production, inefficient output due to inefficiency of factors of production and reduction in revenue due to low production caused by poor management and organization*. A sample of a good response is shown in Extract 6.2.

# Extract 6:2

66)

$$\pi = TR - TC$$

$$\text{Where } TC = 2Q + 5$$

$$TR = 8Q - Q^2$$

$$\pi = (8Q - Q^2) - (2Q + 5)$$

$$\pi = 6Q - Q^2 - 5$$

But the firm is incurring a loss of 77 fish

Thus

$$(-77) = 6Q - Q^2 - 5$$

$$Q^2 - 6Q - 77 + 5 = 0$$

$$Q^2 - 6Q - 72 = 0$$

$$Q = 12, \text{ or } Q = -6.$$

$$Q = \frac{-b \pm \sqrt{b^2 - 4ac}}{2a}$$

$$Q = \frac{-6 \pm \sqrt{36 - 4(1)(-72)}}{2 \times 1}$$

$$Q = 12, \text{ or } Q = -6.$$

The level of the output that a firm is producing is 12.

Q. given

$$TC = 2Q + 5$$

$$AR = 8 - Q.$$

When  $TR = AR$

$$Q \quad Q.$$

$$\frac{TR}{Q} = \frac{AR}{Q}$$

$$TR = AR \times Q.$$

$$TR = (8 - Q) \times Q.$$

$$TR = 8Q - Q^2. \quad \text{---} \text{---}$$

Where  $TC = 2Q + 5$

for the profit or loss

$$\pi \text{ or Loss} = TR - TC$$

$$\pi = TR - TC$$

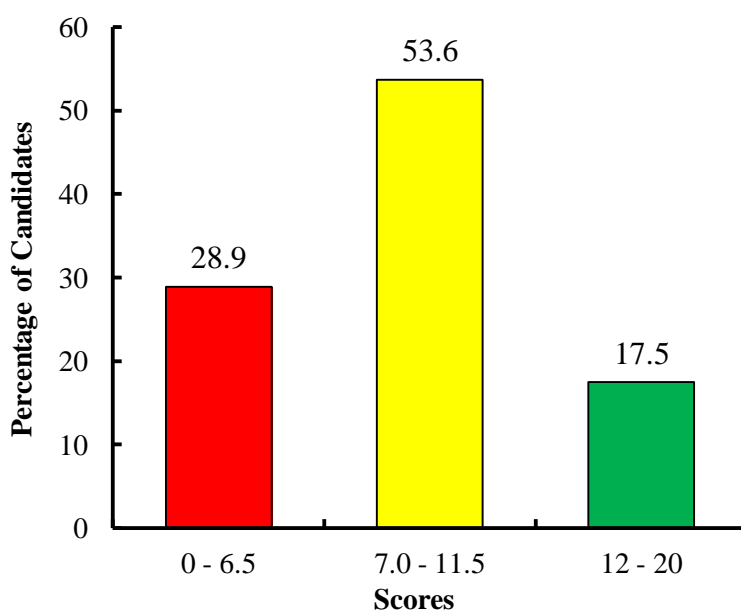
|     |  |
|-----|--|
| (b) | The following below are the reasons that may have caused the firm to incur losses.   |
|     | <p>Low technology, the firm is using low-technology which gives low output and cost high in the production, so the firm may be using low-technology which gives low output, and the effect is that the business will make a loss. To avoid this loss in the production, so the firm should check on the technology.</p>  |
|     | <p>Problem of market, the competition in the market is very high and could make a firm obtain low revenue, because, if low market, so that one of the reasons that makes a firm obtain a loss or incur losses is that the problem of a lack of market is an issue, so the firm should look on the market if it is favorable for him to continue with the production.</p>                             |
|     | <p>Inefficiency, the firm may be producing an inefficient output which gives low revenue. So a firm must look on the efficiency of the factor of the production used so as to allow the increase in the output at the going-level of input, so the firm should look on efficiency of the factors of production if the factors of production are not efficient automatically, he will get a loss.</p> |
|     | <p>Climate condition, it might be unfavorable climate condition, if the the production was in bad climate condition hence the shows that there were unfavorable climate condition which makes the firm to obtain the losses.</p>   |

Extract 6.2 shows good responses from a candidate who was able to apply a correct formula to compute the level of output at which the firm was producing in part (a). He/she was also able to give reasons which led the firm to incur losses in part (b).

### 2.1.7 Question 7: Population

The question had parts (a) and (b). In part (a), the candidates were required to outline any six ways through which the population size of a country can be a hindrance to the economic development. In part (b), they were required to explain four measures which can be adopted to control a higher population growth rate.

The question was attempted by 79.8 percent of the candidates, out of which 17.5 percent scored from 12 to 20 marks, 53.6 percent scored from 7 to 11.5 marks and 28.9 percent scored from 0 to 6.5 out of 20 allotted marks. Generally, the performance in this question was good. Figure 7 shows the distribution of the candidates' scores.



**Figure 7:** Candidates' Performance in Question 7

In part (a), most of the candidates who performed well were able to outline ways by which the population size of a country could hinder economic development. These candidates answered the question because they understood the demand of the question by explaining two ways by which increase in the size of population of a country could hinder economic development. For example, one of the candidates provided points such as: *large population will lead to the problem of increase in dependency ratio, increase in government expenditure and unemployment*. On the other hand, he/she explained that *decrease in the size of population will lead to shortage of labour hence fall in economic activities, underutilization of resources, small market which will discourage production and*



hinder economic development. Some other candidates outlined the points that increase in population size could be a hindrance to the economic development but ignored how decrease of the size of population could hinder economic development as well.

Moreover, in part (b), most candidates were able to explain measures to control a higher population growth such as: *establishment of good population policy by the government, adoption of good family planning, provision of education, and provision of employment opportunities*. Other candidates identified the required number of measures but were unable to provide complete explanation on how each of the measures could be adopted to control higher population growth rate. Extract 7.1 is a sample of a good response.

### Extract 7.1

|      |  |
|------|--|
| 7 a) | Population size - This is the number of people at a certain geographical area at specific period of time. Population size of a country may be large or small depend on different factors like birth rate, death rate and migration. These three factor can influence the population size to be high or small. Both small and large population size of the country can hindrance to the economic development. |
|      | The following are the ways in which small population hindrance development of economic such as;  |
|      | Small population size cause shortage of labour: labour is obtained from the population which means that when the population is too small less number of labour which lead to fall in different economic activities like agricultural sector and industrial sector which hindrance the economic development. Since there no people to run these activities.   |
|      | Small population size cause under utilization of resources: Different resources will be under utilized since there few people to employ them. When there idle resource in the country will hindrance the economic development compared to when there full utilization of resources. For example in country like Tanzania there are many resources available but people to employ them are few.               |
|      | Small population size cause to small market: Also the size of market determine by population size when the population size is large lead to widening of market but small population size lead to narrow market. Therefore small market may hindrance the economic  |

7 a) development since small market size discourage production of goods and services which lead to the problem of economic development.

But in other side also large population size cause to the problem of economic development in the following ways;

Increase dependency ratio; large number of people in the country lead to problem of dependency ratio since of occurrence of large number of children and elders who are not active to work. When there high dependency ratio which will lead to decline in different economic activities like agriculture and industrial activities. Therefore due to decline of these activities will hinder economic development.

Increase government expenditure; Government will increase its expenditure in ~~at~~ expanding different social services like education, hospital, water and electricity supply. When the government increase these expenditure government will fail to engage in other economic productive activities for example investment in industries which help to rise their economic development.

Problems of unemployment; If the population size of the country is too large ~~in~~ it will increase large ~~and~~ number of unemployed people. Which is the problem in economic development because the income of the people fall which decrease their purchasing power and hence discourage investment and finally hinder the economic development.

|   |  |
|---|--|
| 7 | <p>by Higher population growth rate; This is the situation where there are high number of birth rate which accelerate to faster increase in population. Higher population growth rate caused by high birth rate due to poor family planning method, religion believe, early marriage, modernization and polygamy.</p> <p>The following are measures which can be used to control a higher population growth rate such as;</p> <p>Establishment of good population policy, Controlling of population growth rate the government should establish different population policy which enable people within the country to be aware on population increase. For example the population policy of China (one child) which was established in order to control population growth rate.</p> <p>Adoption of good family planning; People within the country should adopt different family planning method like use of Contraception to control unnecessary pregnancy and to ensure large distance between one child to another. By doing this it will help to slow the population growth rate.</p> <p>Provision of education; This is because in these less developed countries like Tanzania there are higher population growth rate due to low level of education, people they don't have knowledge about effect of large population. Therefore in order to control population growth rate the country government should provide education to their people.</p> <p>Provision of employment opportunities; This will help to control population growth rate since people will be busy to their employment positions.</p> |
|---|--|

Extract 7.1 is a sample of a good response from a candidate who managed to outline ways through which the population size of a country can be a hindrance to the economic development in part (a). He/she was also able to explain four measures which could be adopted to control higher population growth in part (b).

On the other hand, the candidates who performed poorly failed to identify the task of the question. In part (a), some of the candidates misconceived the question by explaining the factors affecting population such as: *diseases, migration, wars* instead of the ways by which population size could be a hindrance to the economic development. In part (b), some of the candidates failed to explain four measures adopted to control higher population growth rate hence provided irrelevant responses. For example, one of the candidates provided the points such as: *giving people education and training which* was partially correct while the other three measures about *reducing beggars, reducing early marriages* were not relevant to the demand of the question. Other candidates provided the measures adopted to reduce unemployment instead of the measures adopted to control higher population growth rate. For example, one of the candidates provided the points such as *establishment of irrigation schemes, establishing of supplement activities in rural areas and establishing of infrastructure*. Extract 7.2 is a sample of a poor response.

## Extract 7.2

7(a) Population size, This is the process where by the number of people lives a certain area are bigger than the natural resources (land). Ways through which the population size of a country can be hindrance to the economic developments are follows:

Migration; refers the movement of people from one country to another country; for example from ~~at~~ rural to urban or from urban to rural, due to this when people moves from one place to another place can be causes of population size to take place at a certain country or area.

Diseases such as Malaria, HIV or AIDS when the country there is diseases can encourage the people or families to escape that dangerous to go the country which are not disease hence population size takes place.

Wars; due to these population size hence takes place at a certain country simply because when the wars happens for example. Burundi for reason of post-electoral banders cause the people to die ~~to~~ due to the war, due to these can encourage the people to shift that area hence population size takes place.

Calamities; for example earthquakes, due to these when the earthquakes takes place ~~at~~ an area for example region of Kagera there are happened that earthquakes cause the among

|   |   |
|---|---|
| 7 | <p>b) Population growth refers to the increase in number of people in a particular area over a specified period of time. The following are the measures that can be adopted to control a higher population growth rate.</p> <p>Establishing irrigation schemes, when the country wants to control the population growth, it supports to establish irrigation schemes in</p> |
|---|---|

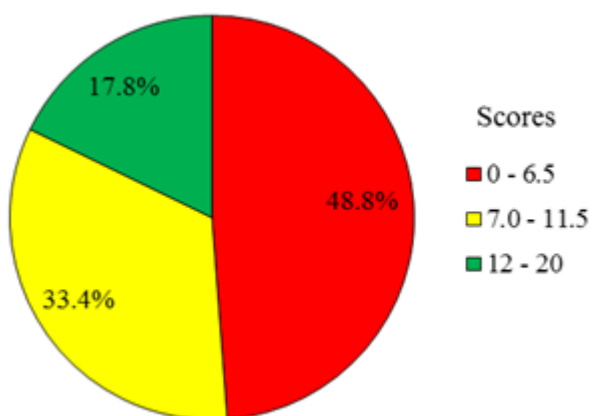
|   |   |
|---|---|
| 7 | <p>b) Both areas it means rural and urban areas to have a balance equal distribution of resources both rural and urban areas.</p> <p>Establishing of supplement activities in rural areas, when the country wants to control the population growth, it supports to introduce activities such as trade in rural areas so as to reduce rural-urban migration.</p> <p>Establishing of other sectors, when the government of a particular country wants to control population growth rate, it supports to base with many sectors such as tourism and trade so as to earn more funds which will finance other government activities.</p> <p>Establishing of social infrastructure in both areas, when the government of a particular country establishes social infrastructure such as roads, railways in both regions, the population growth rate will decline.</p> |
|---|---|

Extract 7.2 shows a response from a candidate who outlined the factors affecting population instead of the ways through which the population of a country can be a hindrance to the economic development in part (a). The candidate explained the measures taken to reduce unemployment instead of the measures adopted to control a higher population growth rate in part (b).

### 2.1.8 Question 8: Theory of Money.

The question had parts (a) and (b). In part (a), the candidates were required to evaluate five factors that influence the level of money supply in Tanzania. In part (b), they were required to use four points to make a critical examination of the quantity theory of money.

The question was attempted by 54.9 percent of the candidates, out of which 17.8 percent scored from 12 to 20 marks, 33.4 percent scored from 7 to 11.5 marks and 48.8 per cent scored from 0 to 6.5 out of the 20 allotted marks. Generally, the performance in this question was average as 51.2% of the candidates scored from 7 and above marks. Figure 8 shows the distribution of the candidates' scores.



**Figure 8:** Candidates' Performance in Question 8

The candidates who scored high marks (from 12 to 20) managed to evaluate the factors that influence the level of money supply in Tanzania in part (a). Most of the candidates managed to evaluate the factors influencing money supply such as: *open market operation, bank rates, special credit, special deposits and reserve requirement, e.g. open market operation whereby during inflation the government sells its securities like treasury bills and bonds which reduce money supply and during deflation the government buys the securities so as to increase money in circulation.* Some of the candidates explained the factors which do not have a direct relationship to the level of money supply.

In part (b), the candidates were able to provide a critical examination of the quantity theory of money by stating that: *is a theory which show relationship between price and money supply or between change in money supply and the general price level*  $MV = PT$  Where  $p$  represent price level,  $T$  represents number of transaction,  $M$  represent money supply. The candidates also managed to provided criticisms of the quantity theory of money which include: *The theory*

ignore the role of the rate of interest in determining money supply, it assumes a general price level which may not exist in reality, it is a truism assuming the right hand side is equivalent to the left hand side  $MV=PT$  and it assumes no barter trade which may not be true because in rural areas most exchange is done through barter trade. However, some of the candidates provided insufficient explanation on the examination of the quantity theory of money because they provided assumptions of the quantity theory of money and provided no points concerning the criticisms. Others provided the criticisms but failed to explain each one clearly. A sample of a good response is shown in Extract 8.1.

### Extract 8.1

|   |   |
|---|---|
| 8 | <p>(a) Money refers to anything that is generally accepted by the public as a medium of exchange and means of settling debts. Money supply in the economy is influenced by the monetary factor.</p> <p>The following are the factors which that influence the level of money supply in the economy.</p> <p>Open Market Operation: This refers to the selling of government securities such as treasury bills and bonds. The government may sell its securities during inflation to reduce money supply and also it can buy its securities during deflation so as to increase money in circulation.</p> <p>Bank rate: This is the rate that central bank charges commercial bank whenever they borrow money from central bank. In order to increase money supply the interest rate is low while if money in circulation is high bank rate or interest rates paid will also be high to reduce money supply in circulation.</p> <p>Special credit: If the money supply in circulation is low special people are provided with credits so as to increase production while if the money supply is high the provision of credits is discouraged so as to reduce money in circulation.</p> |
|---|---|



Special deposits: Moreover if the money supply in the economy is high special accounts are created by the commercial banks to the central banks so as to reduce lending power while if money supply is low in the economy the central bank gives commercial banks the power of lending to the customers so as to increase money supply in the economy.

Reserve requirement: This is the minimum reserve that every commercial bank must have so as to meet the demand for the customers. If the money supply is high in the economy the reserve requirement is decreased so as to reduce the money supply and vice versa.

8) Quantity theory of money: Is the theory which shows relationship between price and money supply. It further states that there is a direct relationship between change in supply of money and the general price level.

$$MV = PT$$

$$P = \frac{MV}{T}$$

P represents price level

T represents number of transactions.

It assumes  $P$  to represent general price level, while in reality different price of commodities can not change and be the same hence it is unrealistic.

It is not a theory but a tautology equation. Also the quantity theory of money is not a theory but a tautology equation since  $M, V, P$ , and  $T$  cannot be determined to build a money equation.

It assumes no barter transaction, which in real areas most of the exchanges are done through barter transactions due to low level of science and technology.

Extract 8.1 shows a good response from a candidate who was able to evaluate the factors that influence the level of money supply in Tanzania in part (a), and critically examined the quantity theory of money in part (b).

On the other hand, the candidates who had poor performance failed to evaluate the factors that influence the level of money supply in Tanzania. In part (a), some of the candidates provided incorrect factors that influence money supply in the economy like: *Increase in employment, improvement of technology, presence of expenditure and differential wages*, which were wrong. In part (b), some of the candidates failed to understand the demand of the question. For example, one of the candidates provided the factors of demand for money such as: *precautionary motive, transaction motive* instead of the criticisms of Quantity theory of Money. Extract 8.2 shows a sample of the candidates who responded poorly in both parts of the question.

## Extract 8.2

|      |  |
|------|--|
| 8(a) | <p>Money supply; Refers to the supply of money in the economy at a specific period of time. There are several factors that influence the level of money supply in Tanzania that include:</p> <p>Presence of expenditure in the economy; Through presence of expenditure in the economy lead to money supply in the economy.</p> <p>Increase in wages; Through the increase in wages may lead to money supply in the economy, that increase in wages lead to there as money supply in the economy.</p> <p>Increase in employment; Through increase in employment may lead to the people to have enough money that lead to money supply in the economy.</p> <p>Presence of differential wage; Through presence of differential wage may lead to increase the rate money supply in the economy, through differentials in wages that leads more efficiencies of the wage differential in the economy.</p> <p>Improvement of technology in the economy; Through improvement of the technology in the economy may lead to high money supply in the economy, that due to the amount of money in the economy should be released released in order to make complementation.</p> <p>Therefore; Money supply should be influenced in many factors that related to the different ways that help to utilize the natural resources in the economy. And money supply help to underpin the efficiency.</p> |
|------|--|

|    |   |
|----|---|
| 8. | <p>(b). The quantity theory of money was established by Keynes due to the way of how to control money. The quantity theory of money was explained as follows:</p> <p><u>Precautionary motives:</u> Here it means it helps the user to hold money in cash because of facing unforeseen event. If such an event occurs immediately through cash in hands he/she can solve the problem.</p> <p><u>Transactionary motives:</u> The people need more to hold money in cash rather than money of Tanga bills due to day to day requirements which may need be solved from the people.</p> |
|----|---|

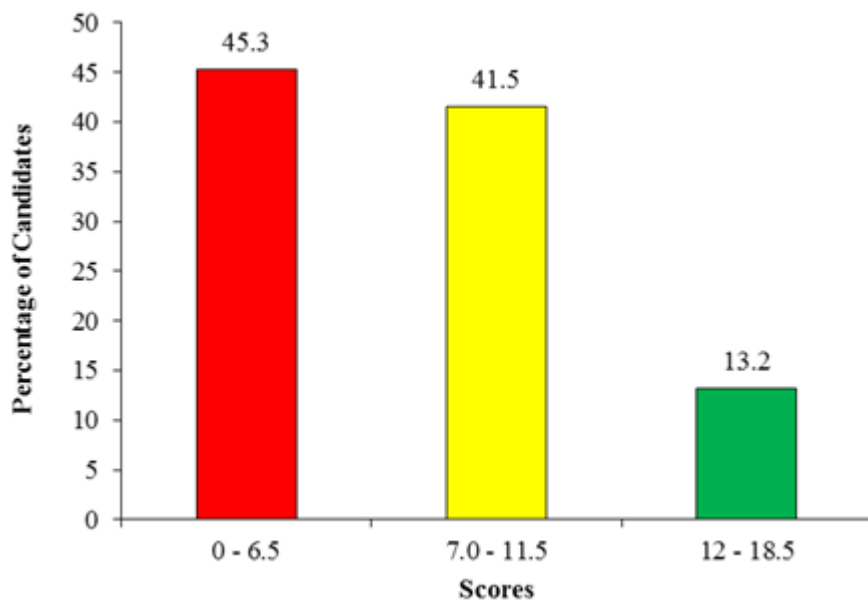
Extract 8.2 shows one of the poor responses from a candidate who was unable to evaluate the factors which influence money supply in Tanzania in part (a). The candidate also explained the factors of demand for money such as precautionary and transactionary motives instead of the criticisms of the quantity theory of money in part (b).

## 2.2 PAPER 2: 151/2 ECONOMIC DEVELOPMENT

### 2.2.1 Question 1: National Income

This question had three parts, (a), (b) and (c). In part (a), the candidates were required to define aggregate demand and in part (b), they were required to describe four determinants of aggregate demand. Part (c) required the candidates to explain the meaning of the following economic concepts: (i) Leakages, (ii) Injections, (iii) Deflationary gap, (iv) Inflationary gap and (v) Balanced budget multiplier.

The question was attempted by 20.5 percent of the candidates, out of which 13.2 percent scored from 12 to 18.5 marks, 41.5 percent scored from 7 to 11.5 marks and 45.3 percent scored from 0 to 6.5 out of the 20 allotted marks. Generally, the performance of the candidates in this question was average as 54.7 % scored 7 marks and above. Figure 1 shows the distribution of the candidates' scores.



**Figure 1:** Candidates' Performance in Question 1

The candidates who scored from 12 to 18.5 marks managed to answer the question. In part (a), for example, the candidates were able to define the term aggregate demand correctly as *the total expenditure in the economy*. In part (b), the candidates described four determinants of aggregate demand as required. For example, one of the candidates provided the correct determinants such as: *personal consumption, investment, government expenditure and import and export*. In part (c), the candidates who performed well provided correct explanations on the meaning of each of the given concepts. For example, one of the candidates explained the meaning of leakages as: *the withdrawal of money out of the circular flow of income which reduces aggregate demand and multiplier* and injections as *additional income to the circular flow of income which increases aggregate demand and multiplier*. The candidate also provided a clear meaning of other concepts of deflationary gap, inflationary gap, and balanced budget multiplier as demanded by the question. Extract 1.1 shows part of a good response.

## Extract 1.1

- 1a) Aggregate demand: this refers to the total expenditure of the society in an economy. It can also be referred as total demand of people in a given country in an economy. where by when there is addition income to the circular flow of income it increases aggregate demand.
- b) There are four determinant of aggregate demand such as:
- Personal consumption: when the level of personal consumption increases aggregate demand will also increase but when level of personal consumption decrease aggregate demand will also decrease.
  - Investment: when people invest in different venture more revenue is accumulated hence increasing in aggregate demand but when the level of investment is low aggregate demand will also be low.
  - Government expenditure: when the government spends more money in production of goods and services in building different road it will lead to increase in income hence high purchasing power but when government spend less aggregate demand will also be low.
  - Export and import: when there is high level of export and import trade aggregate demand will be <sup>high</sup> but when there is no export and import trade aggregate demand will be low because goods produced ~~with the~~ within the country are of low quantity.

- i) leakages: this refers to withdraw of money out of circular flow of income which reduces aggregate demand and multiplier. Example of leakages are saving, taxation and import whereby people draw money out of circular flow of income in order to affect their payment.
- ii) Injections: this refers to the additional income to the circular flow of income which increase aggregate demand and multiplier. Example of injection are Export, investment and government expenditure which adds more income to the circular flow of income.
- iii) Deflationary gap: this refers to the situation whereby aggregate supply exceed aggregate demand. This can occur due excessive supply of goods, decrease in aggregate demand, fall in income of the consumer and low government spending when this occur the government should increase money supply and control production of goods and services.
- iv) Inflationary gap: this refers to the situation whereby aggregate demand exceed aggregate supply whereby this can occur due shortage of goods, increase in aggregate demand and increase in government expenditure whereby when this occur the government should reduce money in circulation and promote production of goods.

Extract 1.1 shows a good response of a candidate who was able to define aggregate demand in part (a). The candidate managed to describe the four determinants of aggregate demand in part (b) and he/she was able to explain the meaning of various economic concepts in part (c).

The candidates who scored from 7 to 11.5 marks provided responses which show that, inspite of understanding the questions they were unable to meet their demands completely. In part (a), for example, a candidate defined the term *aggregate demand* as *total demand by various economic units at various price levels*. In part (b), the candidates were required to explain the determinants of aggregate demand. One of the candidates explained the determinants of individual demand like: *changes in income level, change in taste and preferences and taxation* instead of the determinants of aggregate demand. In part (c), most of the candidates provided inadequate explanations on the meaning of the concepts. For example, a candidate explained the meaning of the concept of deflationary gap as: *a situation there is overproduction of goods than the aggregate demand for goods*. Another candidate provided inadequate explanations of the concepts of *leakages, injections, inflationary gap* and *balanced budget multiplier*

However, the candidates who scored from 0 to 6.5 marks were unable to give a correct definition of the term aggregate demand. For example, one of the candidates defined aggregate demand as *the ability and desire of people in the economy to purchase goods and services*. In part (b), some of the candidates failed to describe the determinants of aggregate demand. They instead described the determinants of individual demand for a product. For example, one of the candidates described the determinants such as: *the level of income, population size and interest rates taste*. Others identified government expenditure as a determinant of aggregate demand. In part (c), the candidates failed to explain the correct meaning of the concepts. For instance, one of the candidates wrongly explained the meaning of deflationary gap as: *the gap at which prices declines*. The candidate also incorrectly explained the concepts of *inflationary gap, leakages, injections and balanced budget multiplier* as demanded by the question. Consequently the candidates scored very low marks. A sample of a poor response is shown in Extract 1.2.



## Extract 1.2

1.a/ Aggregate demand. This refers to the effective demand of commodities. Aggregate demand stimulate production of different commodities in the market. When there is no aggregate demand there will be fall in production of commodities. The Aggregate demand raise living standard, national income and government revenue within a country.

1b/ The Aggregate demand can be determined by the following factors.

Income level. The higher income level leads to the aggregate demand in which the demand for commodity are demanded effectively by the people. When the income level is low there will be no aggregate demand due to low income.

Price stability. The stability of the price determine the aggregate demand when in a country there is an stability price these will contribute much to the aggregate demand of the commodity in country.

political stability. The political stability in the country determine the aggregate demand of commodity. When in a country there is political stability there will be no aggregate demand of different commodities which are produced within the country.

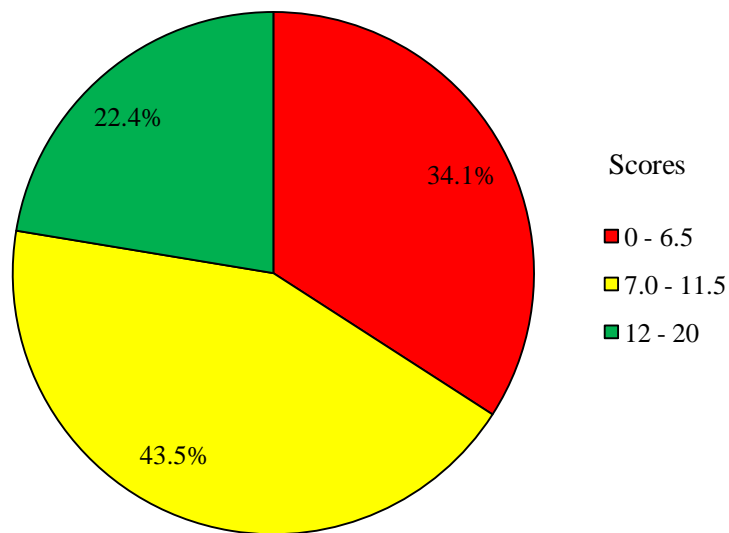
|      |  |
|------|--|
| 1(b) | goods change affect the demand of other - goods. Example tea and coffee.   |
| 1(c) | (i) Leakages - This are the revenue that - obtained without involve <sup>circulation of income</sup> <del>saving</del> but obtained directly from investment activities and other. |
|      | (ii) Injection - Refers to the <sup>income</sup> <del>expenditure</del> that are used apart from domestic expenditure.   |
|      | (iv) Deflationary gap - Occur when aggregate demand is greater than aggregate supply.  |

Extract 1.2 shows a response of a candidate who had inadequate knowledge of national income. The candidate failed to define aggregate demand in part (a) and to describe the four determinants of aggregate demand in part (b). He/she also failed to give a brief explanation on the meaning of the five economic concepts given in part (c).

### 2.2.2 Question 2: Public Finance

The question had parts (a) and (b). In part (a), the candidates were required to suggest four measures which could be adopted in managing public debt while in part (b), they were required to examine four ways of classifying the public debt.

The question was attempted by 56.1 percent of the candidates out of which 22.4 percent scored from 12 to 20 marks, 43.5 percent scored from 7 to 11.5 marks and 34.1 percent scored from 0 to 6.5 out of the 20 allotted marks. Generally, the performance of the candidates in this question was good as 65.9% of the candidates passed. Figure 2 shows the distribution of the candidates' scores.



**Figure 2:** Candidates' Performance in Question 2

The candidates who performed well in this question were able to suggest the four measures which could be adopted in managing public debt in part (a). The candidates also managed to explain correctly how each measure could be used to manage public debt. For example, one among the candidates suggested that *public debt can be managed through measures like: The use of surplus budget, conversion, sinking fund etc.* In part (b), the candidates correctly examined the four ways of classifying public debt by showing how public debt could be classified according to *use, time, place and according to method of debt redemption*. This indicates that those candidates had a good mastery of the subject matter. Extract 2.1 shows a sample of a good response.

## Extract 2.1

|      |   |
|------|---|
| exa) | <p>Public debt refers to the amount of money or loans in which the government borrowed from people, companies, financial institutions from within or outside the country. The following are the measures which can be adopted in managing the public debt:</p> <p>The conversion measure, this involves borrowing another money or loan by receiving another debt for the purpose of repaying the former debt. This is done by many less developed countries where they lack sufficient capital to pay debts.</p> <p>The privatisation, this involves the changing the ownership of state owned enterprises into the hands of private sector so the government can privatise its business and obtain the funds to pay debts or the government can privatisation the state owned enterprises into the company which repaid the government.</p> <p>Repudiation, this is the refusal of government to pay the debts where now the debt burden exceed to the extent that affect the whole economy and the government decide to refuse from repaying the debt.</p> <p>The use of surplus budget, is the budget which occur when the estimated government revenue exceed the estimated government expenditure and the government use the surplus income as funds to repay the debt.</p> <p>Conclusively, the above are the measures that are applied by government to manage the public debt but the public debt still have the significant role to play because help to solve the budget deficit and it help to solve the welfare, especially like drought and earthquake.</p> |
|------|---|

|    |   |
|----|---|
| sb | <p>Public debt refers to the amount of money in which the government borrowed from different institutions, persons, company and industries either within or outside the country, the public debt has become the burden in most less developed countries. The following are the four ways in which public debt can be classified.</p> <p>According to the source where the public debt may be classified based on where the money is raised. obtained from internal debt means the money obtained from internal sources but the External public debt means the money obtained from the external source like (IMF and WB).</p> <p>According to the uses, Here the public debt can be classified based on how it used, which can be productive or Non-productive. Productive public debt is that debt which applied to the productive economic activities but Non-productive is the public debt which applied in Non-productive economic activities like wars, and buying military equipments.</p> <p>According to the repayment, Means how the public debt is repayed which can be fixed or Non-fixed or debt. Fixed debt is where the dates of repayment is not fixed or the time of receiving the debt but Unfixed debt is that debt in which the date of redemption of debt is given at the time of receiving the debt.</p> <p>According to time, Here the public debt is classified based on the time period taken for the public debt to be repayed which can be short-term, Medium term and Long term; Short term loan means that short time to be repayed, Medium term means</p> |
|----|---|

Extract 2.1 shows a response from a candidate who was able to suggest proper measures which can be adopted in managing the public debt in part (a). Moreover, he/she was able to examine the required ways of classifying the public debt in part (b).

The candidates who scored average marks were able to suggest measures to be adopted in managing the public debt in part (a). For example, a candidate was able to suggest measures like *surplus budget and repudiation* but provided incomplete explanation on how each could be adopted in managing the public debt. In part (b), some of the candidates examined the classification of public debt by providing a partial explanation on each type of the public debt. Other candidates failed to give detailed examination of each type of public debt. For

example, one of the candidates wrote: *public debt can be classified according to source of payment and according to purpose.*

The candidates who performed poorly in this question misinterpreted the demand of the question in part (a). For example, one of the candidates due to poor mastery of the subject matter completely failed to suggest the measures which can be adopted to manage public debt but he/she ended up by writing incorrect points like: *provision of employment, improvement of social services, improvement of science and technology and improvement of infrastructure.* In part (b), the candidates incorrectly examined the ways of classifying public debt. For example, one of the candidates instead of examining ways of classifying the public debt, he/she examined sources of government revenue such as; *borrowing, fines, loans and tax.* A sample of a poor response is shown in Extract 2.2.

## Extract 2.2

2. a1. public debt this refers to the borrowing of the government this involve in both external and internal. The following are the measures which can adopted in managing the public debt;

provision of employment opportunity to the people, when the people are employed in large percent the public debt it can managing it.

provision of loans to the improvement of social services like schools and hospitals that lead to increase the national income and lead into result of reduce public debt.

improvement of infrastructure like transport and communication such as roads and railways that will encourage easy to transport of goods and services from one place to another place by using low cost.

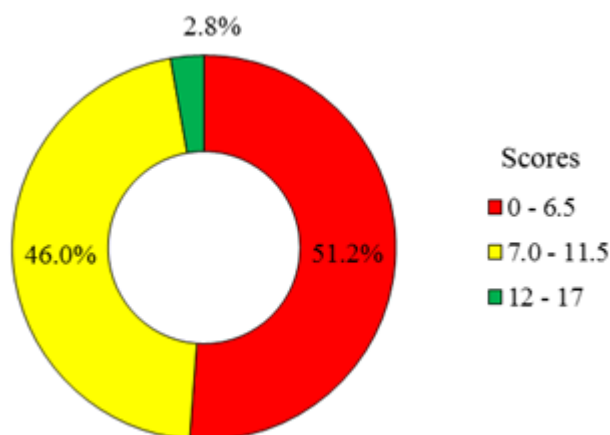
|      |  |
|------|--|
| 2(a) | <p>To improve science and technology, that is the use of advanced technology in production process for example the use of tractor it improve production that lead to increase the quality and quantity of production as a result of increase revenue in the country.</p> <p>b). The following are the ways of classifying the Public debt;</p> <p>Borrowing, this is the way where by government take some amount of money from another country or person to another person.</p> <p>Fines, this is the way of public debt when the people is against to the laws for example in paying tax.</p> <p>Loans, also it is a way of public debt where by the people can borrow the amount of money for different purpose in order to increase revenue.</p> <p>Tax, this refers to the amount of money which collected for different purposes in order to increase income in the country.</p> |
|------|--|

Extract 2.2 shows a response from one of the candidates who failed to suggest correct measures which can be adopted in managing public debt in part (a). In part (b), he/she examined the sources of government revenue instead of the ways of classifying public debt.

### 2.2.3 Question 3: Financial Institutions.

This question had parts (a) and (b). In part (a), the candidates were required to justify the contention which stated, “The more liquid an asset is the less profitability it becomes”, by devising five ways used by commercial banks to reconcile conflicting motives of liquidity and profitability. In part (b), they were required to describe how the given monetary policy instruments could work to control money supply in the economy: (i) Open market operation, (ii) Bank rate or discount rate, (iii) Reserve requirement ratio, (iv) Selective credit control and (v) Moral suasion.

The question was attempted by 45.5 percent of the candidates out of which 2.8 percent scored from 12 to 17 marks, 46.0 percent scored from 7 to 11.5 marks and 51.2 percent scored from 0 to 6.5 out of the 20 allotted marks. Generally, the performance in this question was average as 48.8% of the candidates scored 7 marks and above. Figure 3 shows the distribution of the candidates’ scores.



**Figure 3:** Candidates’ Performance in Question 3

A few (2.8%) candidates who scored from 12 to 17 marks were able to explain the ways used by commercial banks to reconcile liquidity and profitability in part (a). For example, one of the candidates correctly explained that commercial banks reconcile the two conflicting motives of liquidity and profitability by: *possessing both non-liquid and liquid assets for generating profit and increasing solvency respectively, by opening accounts with other banks and by lending money for short and long term*. The candidate correctly explained his/her points on how each could be used by commercial banks to reconcile conflicting motives of liquidity and profitability.



In part (b), most of the candidates managed to describe how each of the five instruments of monetary policy work to control money supply. For example, one of the candidates described that *open market operation works to control money supply because during inflation the government reduce money supply when the central bank instructs commercial banks to sell its securities to the public but during deflation the government increase money supply when the central bank instructs commercial banks to buy its securities from the public*. The candidate provided a good explanation of how other monetary policy instruments like: *bank rates, reserve requirement, selective credit control and moral suasion* work to control money supply in the economy. A sample of a good response is shown in Extract 3.1.

### Extract 3.1

(2) "The more liquid an asset is the less profitable it becomes" such that liquid asset can be easily turned into cash and in order for commercial banks to make profit has to lend out more money hence for such cases the commercial banks tend to reconcile the two conflicting motives of liquidity and profitability by the following.

The commercial banks tend to possess both non-liquid assets and liquid assets such that non-liquid assets are for the purpose of generating profit for the organisation while the ~~so~~ liquid assets tend to increase the solvency of the organisation and hence neutralise the conflict between liquidity and profitability.

The commercial banks also tend to open up account with other <sup>non</sup> commercial banks such that the commercial banks operate accounts with other commercial banks <sup>non-banks</sup> and hence this will enable them to borrow money from them at the times of reconciling between liquidity and profitability and hence neutralise the reconciliation.

The commercial banks also lend money for short terms and for long terms but also at different times as this will help to reconcile the conflict between liquidity and profitability as the commercial banks will be able to give loans for profit but also ~~they~~ receive payments on previous made loans and hence improve the liquidity preference.

Also the commercial banks tend to invest their incomes on profitable sectors or projects and receive a return on such investments hence the investment made will increase the profitability level of commercial banks and also reconcile the conflict on liquidity.

The commercial banks can also borrow from the central bank so as to reconcile the conflicting motives of profitability and liquidity especially in times of crises.

3(a) The commercial banks will borrow from the commercial central bank as the lender of last resort and fill the liquidity gap of the commercial banks.

3(b) Monetary policy instruments refer to the tools used to control money supply in the economy. The following is how the monetary policy instruments work to control money supply in the economy.

Open market operations refers to the process where the government sell its asset to the public in order to check money supply such that increase in selling of its assets tend to reduce income or money from the public and hence reduces money supply while when the government purchases assets from the public tend to increase flow of money in the economy.

Bank rate or discount rate refers to the rate of interest paid by commercial banks when they borrow money from the central bank such that high bank rate reduces amount borrowed by commercial banks which reduces its lending power to the public and hence reduces supply of money while low bank rates increase the amount borrowed by commercial banks which increases their lending power to the public and hence high money supply.

Reserve requirement ratio refers to the ratio at which the commercial banks have to keep reserve to finance its daily activities such that high reserve requirement ratio of commercial banks reduces money supply while low reserve requirement ratio increases money supply.

Selective credit control is when the central bank instructs the commercial banks to lend out more money.

Extract 3.1 shows a response from a candidate who managed to explain ways that could be used by commercial banks to reconcile the conflicting objectives of liquidity and profitability in part (a). He/she was also able to describe how each of the monetary policy instruments could work to control money supply in the economy in part (b).

However, the candidates who scored from 7 to 11.5 marks, most of them understood the demand of the question. In part (b), for example, most of them understood the demand of the question but they provided a limited description such as: *open market operation refers to buying and selling of government securities/bonds, legal reserve requirement as the amount which must be kept by commercial banks in the central bank*, but some were unable to describe how each could work in controlling money supply.

The candidates who performed poorly in this question, misinterpreted the demand of the question. Others provided very few correct points. In part (a), for example, one of the candidates provided the functions of commercial banks such as: *provision of financial advice to their customers, provision of business education to customers and provision of employment opportunities* instead of describing the ways by which commercial banks could adopt to reconcile the two conflicting objectives of liquidity and profitability.

In part (b), most of the candidates were not able to show how the given monetary policy instruments work to control money supply in the economy. For example, one of the candidates, apart from the fact that the monetary policy instruments were provided (i.e., *open market operation, bank rate, reserve requirement and selective credit control*) he/she didn't show how each of the monetary policy instruments work to control money supply. Extract 3.2 shows a poor response.

### Extract 3.2

|      |  |
|------|--|
| 3(a) | <p>Financial institutions are the institutions which involve with financing asset. Example insurance and loans to it people. There are central bank, commercial bank, non-bank and specialized bank. The following are the ways used by the commercial bank to reconcile the two conflicting motives of liquidity and profitability.</p> <p>financial advice to their customers; The commercial bank provides the financial advice to their customers so that to reconcile the two conflicting motives of liquidity and profitability.</p> <p>provide business education to their customers; The commercial bank provides the business education in order to make the customer know how the commercial bank works so as to reconcile the two conflicting motives of liquidity and profitability.</p> <p>Act as credit creation house; commercial bank act as credit creation house. They can create the credit to their customer so as to reconcile the two conflicting motives of liquidity and profitability.</p> <p>provision of loans; commercial bank provides the loans to their customer so that to reduce the burden to the government for those who deal with <del>economic</del> agricultural activities so that to reconcile the two conflicting motives of liquidity and profitability.</p> <p>Employment; commercial bank it makes the employment opportunities to its customer so that to reduce the dependency on the foreign aid and increase the welfare of the people.</p> <p>All in all financial institutions have high interest rate and most of them located in the urban areas.</p> |
|------|--|

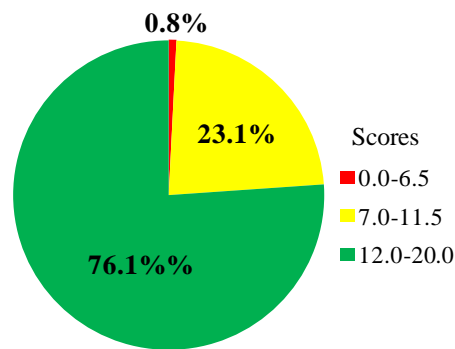
|      |  |
|------|--|
| 3b)i | Open market operation. This are made by the central bank in how to control credit by open market in order to the serve and control the money supply  |
| ii   | Bank rate or discount rate; is the done by the central bank by putting the bank rate so that to get the profit within the bank   |
| iii  | Reserve requirement ratio; The central bank in order to control the trade creation if there is provide the loan than then the requirement it lead to the trade creation  |
| iv   | Selective credit control; The central bank if want to control credit they must select the amount of reserve requirement ratio to be constant but if the it get more they increase the serve requirement ratio to get more profit. hence credit control and it control the money supply |

In extract 3.2 a candidate failed to explain ways that commercial banks could use to reconcile conflicting objectives of liquidity and profitability by giving the functions of a commercial bank such as: *provision of financial advice to their customers, provision of business education to customers and provision of employment opportunities* in part (a). In part (b), he/she inadequately described how the various monetary policy instruments could work to control money supply in the economy.

#### 2.2.4 Question 4: Marketing and Distribution

The question had parts (a) and (b). In part (a), the candidates were required to define two economic concepts (i) transport and (ii) communication. In part (b), they were required to examine eight roles played by transport and communication in the economy.

The question was attempted by 98.9 percent of the candidates out of which 76.1 percent scored from 12 to 20 marks, 23.1 percent scored from 7 to 11.5 marks and 0.8 percent scored from 3.0 to 6.5 out of the 20 allotted marks. Generally, the performance in this question was good. Figure 4 shows the distribution of the candidates' scores.



**Figure 4:** Candidates' Performance in Question 4

The candidates with good performance (from 12 to 20 marks), were able to define the concepts of transport and communication in part (a). For instance, one of the candidates correctly defined transport as: *the physical movement of goods, services and people from one place to another by using waterways, roads, air, and railway communication as well as the transfer of information from one point to another by using several media like radios etc.* This implies that they were well equipped with the theoretical knowledge concerning the economic concepts in that particular topic. In part (b), the candidates were able to examine adequately the roles played by transport and communication in the economy. For example, one of the candidates examined the roles of transport and communication by writing: *It facilitates mobility of labour, creates employment opportunities, facilitate transfer of technology and ensure availability of raw materials.* The candidate used specific examples and provided clear examination for each of the roles. Extract 4.1 shows a good response.

## Extract 4.1

|      |  |  |
|------|--|--|
| 4(a) | i/ Transport   |  |
|      | This refers to the physical movement of goods, services and people from one place to another place. Transport can be through road transport, air transport, water transport and railway transport. When a person wants to choose the means of transport then a factors to be considered before choosing the means of transport such factors are cost of transport, the distance to be covered, nature of commodity, availability of the means of transport and weight or bulkiness of goods. |  |
|      |  |  |
|      |  |  |
|      | ii/ Communication.   |  |
|      | This involves the transfer of information from one point to another by using communication media such as radio, television, letters, telephone and e-mail. Communication is important since it gives information to the people and make them to be aware. Factors which are considered in the process of choosing the media of communication are availability of the media, cost of the media if it is highly costing than the other and nature of information.                              |  |
|      |  |  |



4(b) Transport is the physical movement of goods, services and people from one place to another place by using either waterways, air ways, railways and road transport. Communication is the transfer of information from one point to another point by using medias such as radios, televisions and telephones. Transport and communication plays a great role in the development of the country, the following are the roles of transport and communication;

It facilitates mobility of labour, through transport and communication labourers can move from one area to another. For instance from the area where they are available to the areas of production. Mobility of labour increase, the level of production in the country and hence economic development;

It creates employment opportunities, through transport and communication people gets employment. For instance other people have been employed in the process of loading and unloading goods in harbours, drivers of vehicles. This enables people to get source of income to improve their living standards.

It facilitates transfer of technology, through transport and communication technology can be easily transferred from where it is available to where it is needed. For instance through imitation of the imported goods. Transfer of technology in the economy helps to improve production of quality products and hence improves living standard.

Extract 4.1 shows a good response from a candidate who was capable to define the concepts of transport and communication in part (a) and managed to examine the roles played by transport and communication in the economy in part (b).

The candidates who performed averagely in this question were able to define the concepts in part (a). For example, one of the candidates defined the term Transport as: *the process of moving goods and people from one place to another through roads , railway etc.* and communication as *the process of transferring information*

from one person to another. In part (b), some of the candidates examined only a few points among the eight roles required. For example, a candidate, out of the eight required roles he/she examined only three roles as to *facilitate trade, movement of people and goods from one place to another, raw material for production purposes* and was unable to examine the rest.

On the other hand, very few (0.8%) candidates who scored from 3.0 to 6.5 marks were unable to provide a definition of transport and communication in part (a). For example, one of the candidates insufficiently defined *transport as a system of infrastructure by using roads and railways* and *communication as the system of transferring formal information from one place to another for different purpose*. In part (b), some candidates were unable to examine roles of transport and communication. Others mentioned a few roles but failed to explain them. For example, a candidate insufficiently examined the roles of transport and communication such as, *in advertisement, in marketing process, in science and technology*. A sample of a poor response is shown in Extract 4.2.

#### Extract 4.2

|     |  |
|-----|--|
| 4A1 | TRANSPORT  |
|     | refers to the system of infrastructure by using roads, railways or air to move from one place to another.  |
| 11  | Communication  |
|     | refers to the system of transferring some information from one place to another for the different purposes.  |
| 7B  | Transport and communication system are among of the system which facilitate or simplify any economic activities to develop or help to determine the economic development of the country. The following are the role played by transport and communication in the economy (economic development) methods for example in transport:- |

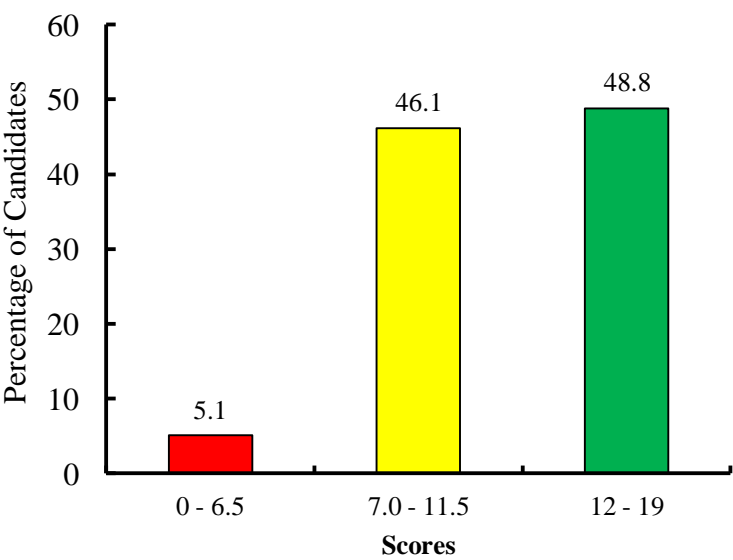
|    |   |  |
|----|---|--|
| 9B | <p>Advertisement:-Transport and communication system has a role to facilitate advertisement to be well and good within or outside the country in any economy activities roles trade.</p> <p>Market:-Refer to the place where sellers and buyers meet for the process of buying and selling goods or commodity within first process transport and communication system is so important also first system has role to ensure market process is well.</p> <p>Improvement of science and technology in the economic level for any economic development science and technology needed, due to that transport and communication system needed to ensure that science and technology within the country is high because by transport science and technology system.</p> <p>Improvement of infrastructure like buildings and telephone network also is a role of transport and communication system.</p> <p>Facilitate trade system, trade system also depend on transport and communication system so the transport and communication system needed to ensure trade is well conducted.</p> |  |
|----|---|--|

Extract 4.2 shows a poor response from one of the candidates who insufficiently defined the concepts of transport and communication in part (a). The candidate also insufficiently examined the roles played by transport and communication in the economy in part (b).

### 2.2.5 Question 5: Structure of Tanzanian Economy

The question required the candidates to account for ten measures which may be adopted to improve production in the agricultural sector as the backbone of the economy of Tanzania.

The question was attempted by 97.7 percent of the candidates out of which 48.8 percent scored from 12 to 19 marks, 46.1 percent scored from 7 to 11.5 marks and 5.1 percent scored from 0 to 6.5 out of the 20 allotted marks. Generally, the performance in this question was good. Figure 5 shows the distribution of the candidates' scores.



**Figure 5:** Candidates' Performance in Question 5

**Figure 5:** Candidates' Performance in Question 5

The candidates who scored from 12 to 19 marks were able to account for the measures which could be adopted to improve production in the agricultural sector by showing how each could be adopted to improve production in the agricultural sector. Most of the candidates managed to account for the measures adopted such as: *implementation of agricultural policies e.g. “Kilimo kwanza”, establishment of cooperative societies, improvement of infrastructure and mass education to famers*. They also managed to provide explanations of how each could be adopted to improve production in the agricultural sector. Extract 5.1 shows a sample of a good response.

### Extract 5.1

|    |  |
|----|--|
| 5. | <p>Agriculture refers to basic human activities which involve on crop cultivation and keeping of animals. In Tanzanian economy <del>is</del> this is the major sector which employs large number of people on <del>for</del> rural areas about 80% are involved on agriculture. Also this sector have phrase of "HILIWA KIWAZI" although of various problems faced this sector, the following are the measures which may be adopted to improve production on the agriculture sector.</p> <p>Mass education to farmers; About science for farming which will act as a basic way for the better improvement on production of agricultural products. Farmers should be well educated about best way of farming for the result of better production of agriculture products and to be taught on how to combat various pests and diseases attack crops.</p> <p>Provision of agricultural implements; like fertilizers and tractors, these agricultural implements will help farmers to perform their farming activities in a best way without affect the production activities because all of agricultural implements are available hence to that will result to improved agricultural products.</p> <p>Improvement of infrastructure; like roads and railways which used by farmers as a main connector between production area and market for sell of product. In Tanzania most of these infrastructure are poor which hinder farmers to fast to move their products from farm to the market area, So infrastructures should also well improved for the development of agricultural sector.</p> <p>Provide market for agriculture product; There should be constant market where farmers can sell their products. This will influence farmers to increase production on their farms because now market is constant available, hence to that will result to improvement on agricultural sector.</p> <p>Establishment of Irrigation agriculture; This one is one among the measures of to improve production on the agricultural sector because on Tanzanian agriculture faces the problem of</p> |
|----|--|

Extract 5.1 shows a sample of a response from a candidate who adequately accounted for the measures to be adopted to improve production in the agricultural sector.

The candidates who had average scores were able to account for the measures that could be adopted in the improvement of the agricultural sector. On the other hand, the candidates described less than the required number of points. Others failed to defend their points with correct explanations. For example, one of the candidates accounted for three points instead of the required ten which were: *development of infrastructure, provision of education through agricultural officers and provision of loans* while other candidates provided points like: *favourable government policy, development of science and technology and increase in the size of the market* but provided insufficient explanations on how each could be adopted to improve production in the agricultural sector.

The candidates who performed poorly were not able to account for the measures adopted. Some of the candidates, instead of accounting for the measures adopted to improve production in the agricultural sector, they explained the problems which affect the agricultural sector. For example, one of the candidates provided the measures such as: *poor government support, climate change, price fluctuation, lack of capital and poor technology*. Other candidates insufficiently accounted for a few measures than the required number. Some failed to show how each of the measures could be adopted to improve production in the agricultural sector. A sample of a poor response is shown in Extract 5.2.

## Extract 5.2

|    |   |
|----|---|
| 5. | <p>Agriculture This is the economic sector that involves crop cultivating and other farming activities. For example, ways of irrigation, means of cultivation and the ways of farming. The following are the measures which may be adopted to improve production in the agricultural sectors.</p> <p>Poor government support; Improvement in production in the agricultural sector may be caused by the good government support. This will increase the availability of the agricultural sector to produce high products. But if there is poor government support, also the production of agriculture will be low. Therefore, poor government support is the source or measure to adopt to improve production in the agricultural sector.</p> <p>Lack of education; Lack of education also acts as the source of adopt to improve production in the agricultural sector where by farmers they have low knowledge on making the farming activities. Therefore, must provide them the knowledge on how to farm in order to improve the production of the agricultural sector.</p> <p>Climate change; Climate change is the measures to adopt to improve in production of the agricultural sector through the changes of climate. For example, drought, price fluctuation on agricultural products; also as the source of adopt the improvement of production in the industrial sector where by price of certain crops can be either appreciate or depreciate or decrease.</p> |
|----|---|

|    |   |  |
|----|---|--|
| 5. | poor infrastructure Thus it concern<br>of transporting of goods good for raw<br>materials from farm up to industrial area<br>already for making production. There fore<br>If the infrastructure will be poor it may<br>cause the production of agriculture sector<br>to be affected.                    |  |
|    | Lack of Capital; Also Capital as<br>the measure which may be adopt to<br>improve production in the agricultural sector<br>through the farmers to have small capital<br>that it implement on their activities.   |  |
|    | poor means of irrigation and<br>fertilizer; Other farmers they depend on they<br>own land and natural resources on implem<br>enting their agricultural activities so through<br>this it adopt the improvement of production<br>in agricultural sector.  |  |
|    | Low level of investors; most<br>of LDC's countries they depend on agro<br>based economic their for the investors<br>they can invest on agricultural production<br>because of the large losses occur on<br>that sector. So through this it adopt<br>to improve the production of agricultural<br>sector. |  |
|    | poor Technology; Also technology<br>as the important in improving the produc<br>tion on agriculture sector but if there<br>are presence of poor Technology also impro<br>vement on production in agriculture sectors<br>will be poor or low. For example on   |  |

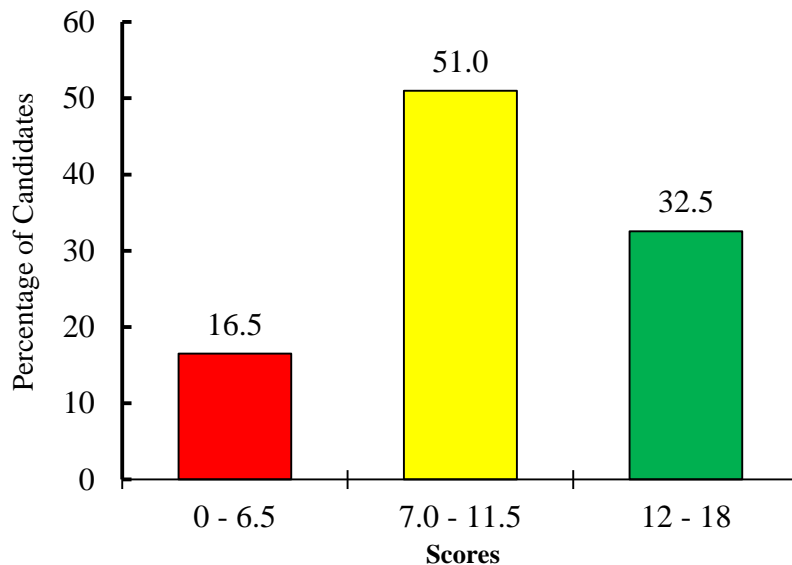
In Extract 5.2 a candidate failed to account for the measures to be adopted to improve production in the agricultural sector. He/she instead provided the problems faced by the agricultural sector.

### 2.2.6 Question 6: Economic Growth and Development.

The question had parts (a) and (b). In part (a), the candidates were required to substantiate, with six arguments, the statement that "Adequate capital formation leads into a greater degree of economic growth". In part (b), the candidates were required to describe the meaning of four economic concepts: (i) Economic dependence, (ii) Economic interdependence, (iii) Social infrastructure and (iv) Economic infrastructure



The question was attempted by 26.3 percent of the candidates out of which 32.5 percent scored from 12 to 18 marks, 51.0 percent scored from 7 to 11.5 marks and 16.5 percent scored from 0 to 6.5 out of the 20 allotted marks. Generally, the performance in this question was good as 83.5% of the candidates scored 7 marks and above. Figure 6 shows the distribution of the candidates' scores.



**Figure 6:** Candidates' Performance in Question 6

The candidates who had a good performance were able to meet the requirements of the question and provided adequate responses. In part (a), most of the candidates were able to substantiate the given statement. For example, one of the candidates provided arguments such as: *adequate capital formation enables the use of advanced technology in different productive sectors, help to acquire other factors of production like labour and land, leads to increase in investment, increase in output, hence leads to increase in peoples' and national income thereby lead to greater economic growth and development.* In part (b), the candidates managed to describe the meaning of economic concepts. For example, one of the candidates described that: *economic dependence is a state whereby a country depends on another country or countries in all economic spheres, social infrastructure refer to public goods like hospitals, schools which are provided by the state for welfare priority.* Extract 6.1 shows a good response from one of the candidates.

## Extract 6.1

6a) Economic growth, refers to the quantitative increase in national output; The following are arguments:

Increase in Investment, Capital can be used to in investment in many Sector in and outside the country and lead to economic growth of the country directly.

Increase in Employment opportunities, through increase of expenditure the government can provide mass employment in the country which will later contribute tax to the government and lead to achieve economic growth.

Improvement of Infrastructure, through capital formation Infrastructure

6a in the country will be in proper way which will lead to achieve economic growth through investment.

Improvement of manufacturing sector, through capital formation manufacturing sector which are industrial sector will grow at higher level due to presence of capital which is adequate, and lead to into greater degree of economic growth.

Provision of social services, economic growth can be achieved when there is adequate capital formation because the social services will be well developed in the country.

Increase in per capital income, through adequate capital formation the per capital income will increase at higher level in the country because investment will be at higher level and employment as well.

Therefore capital formation is very important in economic growth which can lead to economic development of the country.

Qb i/ Economiz dependence

refer to the situation where by a country is economical depending from donor country in economic issues. like depending on Capital.

ii/ Economiz interdependence

refer to the situation where by two country are economically dependence to each other so that to achieve economic development.

iii/ Social Infrastructure

this are Infrastructure which increases social welfare of the people in the country example of social Infrastructure are hospital, education, water supply, electricity supply.

iv/ Economiz Infrastructure

this are Infrastructure which is used by different sector in economic development example are transport and communication, Industrial Infrastructure.

Extract 6.1 is a good response from a candidate who was able to provide arguments to substantiate the given statement in part (a). He/she was also able to describe the meaning of economic concepts in part (b).

The candidates who performed averagely gave insufficient explanations on both parts of the question. In part (a), some of the candidates were able to substantiate the given statement by providing less number of arguments out of the six required. Others provided the correct points without explanations. In part (b), the candidates were unable to give complete description of the meaning of the four given economic concepts. For example, one of the candidates insufficiently described the meaning of economic dependence as *a situation whereby one country depends on another country* and social infrastructure as *means of transport and communication which help the society*.

On the other hand, the candidates with poor performance failed to meet the requirements of the question. This was due to lack of proper mastery of the subject matter. In part (a), for example, one of the candidates provided the points such as: *price stability, political stability and control of inflation*, which were completely not relevant to the demand of the question. His/her explanations did not show how economic growth resulted from adequate capital formation. In part (b), the candidates failed to provide correct description of the given economic concepts. For example, one of the candidates described economic interdependence as *distribution of goods and services which could base in all sectors*. Extract 6.2 shows poor responses of a candidate.

## Extract 6.2

|    |  |
|----|--|
| Q1 | <p>Economic growth: Refers the increase or rise of Economic from one stage to another stage so the Economic concerns distribution of goods and services.</p> <p>They follow are Economic growth &amp; substantiate this statement with six arguments which are:</p> <p>They should the price stable: These are Economic growth in which are exist which price stable, the goods or services should be stable price in order to develop the Economic growth.</p> <p>Should be political stability: These are Economic growth in which are exist which should be political stability, in these means the security of goods and services should be stable in order to be development Economic growth.</p> <p>Should provide employment opportunities: Economic growth which exist to employment should obey in Economic growth such some who have problem of have job so as Economic growth should have the employment.</p> |
|----|--|

|       |  |
|-------|--|
| G A   | Should be Control Inflation: These are Economic growth in which exist should |
|       | Control Inflation which means the there are                                  |
|       | pursuant of price in order the Economic go                                   |
|       | with should first to solve or control Inflation                              |
|       | Should be provide the mobility of  |
|       | Labour: These are Economic growth should exist after                         |
|       | movement of labour from one job to another                                   |
|       | in which the could be lead of the Economic                                   |
|       | at growth.   |
|       | Should to provide Industrial sectoral:                                       |
|       | These are Economic growth should exist Industrial                            |
|       | sectoral are of producer or product should exist                             |
|       | in order to development and Economic the growth.                             |
| B (i) | Economic dependence: Rather the Economic which                               |
|       | of one sector like Agricultural, Mining                                      |
| (ii)  | Economic interdependence: Rather the Consumer distrib-                       |
|       | ution of good and service in which could base                                |
|       | in all sector.   |
| (iii) | Social Infrastructure: like road, railway and air-liner                      |
| (iv)  | Economic Infrastructure: like Employment, Capital, Labor                     |

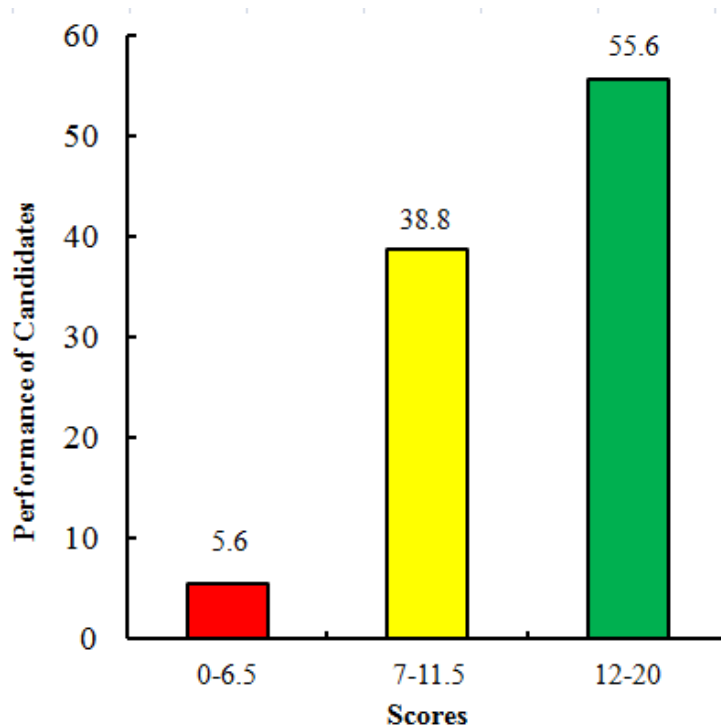
Extract 6.2 shows responses from a candidate who was unable to substantiate the statement that “adequate capital formation leads into a greater degree of economic growth” in part (a). He/she managed to describe correctly concept (i) and (ii) by giving examples but failed to describe the meaning of other economic concepts in part (b).

### 2.2.7 Question 7: Economic Integration and Cooperation

The candidates were required to discuss the contention that “Economic integration is not only an imperative for the developing countries like Tanzania but also a

bitter pill to be swallowed by these countries” by giving six advantages and four disadvantages of economic integration.

The question was attempted by 95.6 percent of the candidates out of which 55.6 percent scored from 12 to 20 marks, 38.8 percent scored from 7 to 11.5 marks and 5.6 percent scored from 0 to 6.5 out of the 20 allotted marks. Generally, the performance in this question was good. Figure 7 shows the distribution of the candidates’ scores.



**Figure 7:** Candidates’ Performance in Question 7

The candidates who scored from 12 to 20 marks provided detailed explanations on how the advantages of economic integration are imperative for developing countries like Tanzania. They also discussed critically the disadvantages of economic integration hence showed that economic integration is a bitter pill to swallow. For example, one of the candidates managed to explain the advantages of economic integration such as: *economic integration lead to enlargement of market size, lead to transfer of technology, lead to increase in employment opportunities, promote good relationship among members, and encourage investment and economic growth*. On the other hand, the candidates managed to discuss four disadvantages of economic integration. For example, one of the candidates provided the disadvantages such as it *leads to unequal distribution of gains, loss of government*



revenue, political and social instabilities and was able to explain the points. Extract 7.1 shows a good response.

### Extract 7.1

|   |   |
|---|---|
| 7 | Economic Integration; Refers to the combination of selective economies which tend to remove all trade barrier so as to trade freely and the trade barriers are like Tariffs, quota. So the following are the advantage of Economic Integration.   |
| + | Enlargement of the Market; Through the removal and elimination of trade barriers the Market of different area tend to be Improve because of Interaction of one Country to another so The countries are Trade freely of which will lead to enlarge the Market of different place, And enlargement is occurred when people move from one place to another and engaging with different activities. |
|   | Transfer of technology; Also through Economic Integration help to transfer technology of one country to another, so both two countries will Improve technology because there is free transfer of technology of which will help to Improve production of goods and services.   |
|   | Employment opportunity; Economic Integration is Very Important because it help economy to Improve and people get employment in different activities, This happen when people try to move from one place to another Finds jobs. And because the Infant Industries will Improves will also help to provide employment to people in the economy.   |
|   | Improve the Welfare of people in a Country; Through Economic Integration Countries are trade freely, help to Improve  |

Extract 7.1 is a good response from a candidate who was able to provide a critical discussion of the advantages and disadvantages of economic integration for developing countries like Tanzania.

The candidates who scored average marks, inspite of understanding the question, they partially discussed the advantages and disadvantages of economic integration. The candidates did not provide critical discussions as they did not adequately show how economic integration is on one hand imperative and on the other hand a bitter pill to Tanzania as a developing country. For example, on one hand, one of the candidates provided insufficient explanations on how *increase in employment opportunities, development of science and technology and increase in the size of the market* and on the other hand, *differences in currencies, differences in the level of economic development* are the advantages and disadvantages of economic integration respectively.

It was further noted that, the candidates who scored a zero (0) mark were unable to provide the advantages and disadvantages of economic integration. Some candidates provided wrong advantages and disadvantages in answering the question. For example, one of the candidates discussed correctly two advantages out of the six required advantages in part (a). Further analysis shows that, the candidates demonstrated several weaknesses. Some of the candidates mixed correct and incorrect points. Others were able to mention a few points without elaborating them. Extract 7.2 shows a sample of a response of a candidate who was able to mention three points without elaborating them.

## Extract 7.2

|     |  |
|-----|--|
| or. | Economic Integration, Refers to the Contradiction of Economic from the different state which may cause either to decrease or increase of the economic. The following are the advantage and disadvantage of Economic Integration. |
|     | Advantages and disadvantages.  |
|     | → Increase Economic growth.  |
|     | → Increase welfare of the people.  |
|     | → Mobility of Labour Efficiency  |
|     | → Cause Conflict and boycott in the country.   |
|     | → Increase production of commodity.  |
|     | → Increase criminal in the country.  |
|     | → It may lead underdevelopment in the country.   |
|     | → Increase burden to the government.   |
|     | → Increase also the public debt.   |
|     | → Decline of employment opportunity.   |

Extract 7.2 is a response of a candidate who mentioned three correct points, but could not elaborate them.

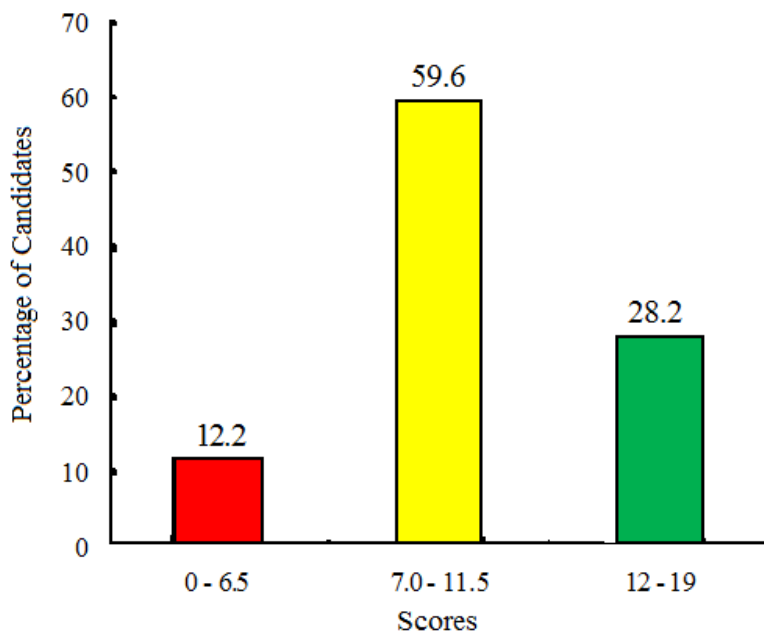
### 2.2.8 Question 8: International Trade.

The question had parts (a) and (b). In part (a), the candidates were required to give a brief explanation on six economic concepts: (i) The theory of absolute advantage, (ii) The theory of comparative advantage, (iii) Recycling of raw materials, (iv) Primary products, (v) Protectionism and (vi) Strategic dumping. In part (b), they were required to study the data given in the table and answer the questions given.

| Countries | Commodities (Tons per man hour) |              |
|-----------|---------------------------------|--------------|
|           | Tea (tons)                      | Sisal (tons) |
| Tanzania  | 18                              | 12           |
| Kenya     | 9                               | 4            |

- (i) Which country has got absolute advantage in the production of Tea?
- (ii) Which country has got a least cost comparative disadvantage in the production of Sisal?
- (iii) Which country has got comparative advantage in the production of Tea? and
- (iv) How should the two countries specialize to gain in specialization?

The question was attempted by 58.4 percent of the candidates out of which 28.2 percent scored from 12 to 19 marks, 59.6 percent scored from 7 to 11.5 marks and 12.2 percent scored from 0 to 6.5 out of the 20 allotted marks. Generally the performance in this question was good as 87.8% of the candidates scored 7 marks and above. Figure 8 shows the distribution of the candidates' scores.



**Figure 8:** Candidates' Performance in Question 8

The candidates who scored from 12 to 19 marks were able to understand the demands of the question. In part (a), the candidates were able to explain each of the given economic concepts. For example, one of the candidates briefly explained, with examples, the concept of the theory of comparative advantage that: *even if a country has an absolute disadvantage in the production of both commodities still there is a mutual benefit if each country will specialize in that commodity in which it incurs less real or opportunity cost than another country*. He/she also provided a good explanation on the other five economic concepts like *theory of absolute advantage, recycling of raw materials, primary products, protectionism and strategic dumping* as demanded by the question. In part (b), the candidates managed to show the country having absolute and comparative advantage in the production of tea and sisal. For example in part b (i), one of the candidates used correctly the data given and he/she managed to explain that *Tanzania* has absolute advantage in the production of tea *because it produces higher tons of tea than Kenya by using the same resources*. In part (b) (ii), the candidate used data given and he/she managed to explain that *Kenya* has got least cost comparative disadvantage in the production of *sisal* because it incurs least comparative cost in the production of that commodity compared to tea. In part (b) (iii), the candidate used data provided and he/she managed to explain that *Tanzania* has got least cost comparative advantage in the production of *tea* and in part (b) (iv) the candidate explained that in order to gain in specialization *Tanzania* should specialize in production of *tea* and *Kenya* should specialize in the production of *sisal*. Extract 8.1 shows a good response of a candidate.

## Extract 8.1

|     |  |                                   |
|-----|--|-----------------------------------|
| 8 A | The theory of absolute advantage   |                                   |
| I   | This are the theory discovery by Adam Smith, it state that " When a country is more efficient in production of some commodity than another nation and less efficient in production of one commodity compared to another country both nation should specialize in production of one commodity which is more efficient so as to trade" |                                   |
|     | Example:   |                                   |
|     | Countries  | Commodities (Tons per man labour) |
|     |  | Tea (tons)      Coffee (tons)     |
|     | Tanzania   | 18                      22        |
|     | Kenya  | 30                      10        |
|     | Therefore Tanzania have absolute advantage in production of coffee and Kenya have absolute advantage in production of tea. Tanzania should specialize in production of coffee and Kenya should specialize in production of tea.  |                                   |
| 8 B | The theory of Comparative advantage  |                                   |
| II  | Are theory which discovery by David Ricardo it state that " If a country is more efficient in production of both commodity compared or than other country which is less efficient in production of both commodity  |                                   |

8A) Then the nation should specialize in product  
 II. in which have low opportunity cost so as to trade or to import product which have high opportunity cost."

Example

| Countries | Commodities (Tons per labour) |        |
|-----------|-------------------------------|--------|
|           | Tea                           | Cotton |
| Tanzania  | 18                            | 12     |
| America   | 5                             | 7      |

Tanzania is more efficient in production of both commodity which are tea and cotton while America is less efficient in production of both commodity. Tanzania should specialize in production of tea because it have low opportunity cost and America should specialize in production of cotton because it have low opportunity cost.

8A) Recycling of raw material

III. is the process of renewable raw material from finished good after been used to manufactured new product example of recycling raw material are plastic and iron. It help to reduce go environment pollution.

|     |  |  |
|-----|--|--|
| 8 A | Primary product  |  |
| IV  | are product which are extraction from the land and are those raw material for manufactured goods example crop from farm and mineral from mining like gold diamond and rubi.  |  |
| 8 A | Protectionism  |  |
| V   | are the trade policy where a country imposed tariffs and barriers in trade so as to discourage importation and encourage home industries or domestic industries - Protectionism help to discourage importation of harmful product. |  |
| 8 A | Strategic dumping  |  |
| VI  | is the situation where by a developing country increased inflow of import goods from developed country which have low quality and sometimes it harmful to the human health and these product are sold in low price.                |  |



8B The country which has got absolute  
**I** advantage in the production of tea is  
 Tanzania because per human labour produc  
 ced 18 tons of tea compared to Kenya  
 which per unit labour produce 9 tons  
 of tea.

8B The country which has got a least cost  
**II** comparative disadvantage in the production  
 of sisal is Kenya  
 Tanzania

$$\frac{18}{12} = 1.5 \quad \text{Tea} \quad \frac{9}{18} = 0.5$$

$$\frac{12}{18} = 0.7 \quad \text{sisal} \quad \frac{4}{12} = 0.3$$

Kenya

$$\frac{9}{4} = 2.2 \quad \text{Tea} \quad \frac{18}{9} = 2$$

$$\frac{4}{9} = 0.4 \quad \text{sisal} \quad \frac{12}{4} = 3$$

Kenya have least cost comparative disadvantage in  
 production of sisal because it have low  
 opportunity cost which are 0.3

|     |   |  |
|-----|---|--|
| 8B  |   |  |
| III | The country which have got comparative advantage in the production of tea is Tanzania because it have low opportunity cost.                   |  |
| 8B  |   |  |
| IV  | Tanzania should specialize in production of tea because have advantage is absolute advantage use one labour but get high output.              |  |
|     | In comparative advantage  |  |
|     | Tanzania should specialize in production of tea because it have low opportunity cost compare to sisal. have high opportunity cost             |  |
|     | But   |  |
|     | Kenya should specialize in production of sisal because it have low opportunity cost.  |  |
|     | So Tanzania will import sisal from Kenya and Kenya will import tea from Tanzania due to specialization and both country will gain from trade. |  |

Extract 8.1 shows a good response from a candidate who managed to explain the economic concepts in part (a). The candidate used the data given to provide appropriate answer for each of the four items in part (b).

The candidates who had average performance in this question provided an insufficient explanation on the six economic concepts in part (a). For example, some of the candidates managed to explain correctly a few economic concepts but were unable to explain other economic concepts given in this part of the question.

In part (b), the candidates provided partial correct answers on the four items. This indicates that those candidates had inadequate theoretical and practical knowledge required to answer the question. For example, a candidate explained that *Tanzania* has absolute advantage *only* in the production of *tea* because *it is more efficient in production*. In part (b) (ii), the candidate explained that *Kenya* has got least cost comparative disadvantage in the production of sisal because *it is less efficient in the production of both commodities* and the candidate didn't provide any answer for the other two parts.

The candidates who performed poorly in this question failed to give brief and relevant explanations on the six economic concepts. For example, one of the candidates provided only one correct explanation on the concept of *protectionism* but failed to give correct explanations on the *theory of absolute advantage* and the *theory of comparative advantage* as demanded by the question. In part (b), most of the candidates failed to use the data given to explain the concepts of *absolute advantage*, *comparative advantage* and *comparative cost*. They also failed to show how the two countries would gain by specialization. This indicates that the candidates lacked necessary theoretical and practical knowledge required to answer the question in part (a) and (b) respectively. A sample of a poor response is shown in Extract 8.2.

### Extract 8.2

|    |   |
|----|---|
| 2a | <p>is the theory of absolute advantage</p> <p>The theory of absolute advantage postulates that "there is two countries and two commodity and they use the same resource but one country produces both commodity more cheaply than the other. This theory is based on the following assumption</p> <p>We assume only two commodity are produced and only one other assumption by this theory is that</p> <p>We assume there is only two nation in the world. This theory is based on the following criticism</p> <p>The idea that there is only two commodity in the world is unrealistic because there is so many commodity.</p> <p>We postulate that there is only two country in the world while it is not true. This is because there is so many countries in the world.</p> |
| 2b | <p>is the theory of comparative advantage</p> <p>This theory postulates that "the country should specialize in the production of goods and services in which it has a comparative advantage". This theory is based on the following assumption</p> <p>We estimate a high market Economy, this theory also based on the assumption that</p> <p>There is two commodity in the world. This theory of comparative advantage is based on the following assumption</p> <p>We estimate a highly market Economy yet it does not have another criticism</p> <p>We simplify the world as a two nation while it is not true. The world comprises a lot of nations</p>  |

|      |  |  |
|------|--|--|
| 8 B1 | Country got absolute Advantage of Tea is Kenya   |  |
| 11   | Country have got least cost comparative advantage in the production of sisal is Kenya. |  |
| 111  | Country should got comparative advantage in production of Tea is Kenya.                |  |
| 14   | Kenya Specialized in production of tea while Tanzania in production of sisal.          |  |

Extract 8.2 shows responses from a candidate who failed to provide correct explanation about economic concepts in part (a). In part (b) he/she was able to provide correct answer in item (b) (ii) while the answers in items (i), (iii) and (iv) were incorrect.

### **3.0 ANALYSIS OF CANDIDATES' PERFORMANCE PER TOPIC**

The topicwise analysis of 2017 ACSEE, in Economics subject shows that the performance of the candidates was good, as the candidates had good performance in 11 topics out of the 16 topics examined in paper 1 and 2. The topics with good performance were: Marketing and Distribution (99.2%), Structure of the Tanzanian Economy (94.9%), Economic integration and cooperation (94.4%), Subject Matter of Economics (89.7%), Trade Cycle (88.8%), International Trade (87.8%), Economic Growth and Development (83.5%), Production (81.4%), Theories of Demand and Supply (75.7%), Population (71.1%) and Public Finance (65.9%). The good performance on these topics was attributed to the fact that, the candidates were able to follow the required instructions, they were able to identify the tasks of the questions and had sufficient knowledge on the subject matter.

The averagely performed topics were: National Income (54.7%), Theory of Money (51.2%), Markets (49.9%) and Financial Institutions (48.8%). Average performance was a result of misconception of some concepts and lack of mastery of the subject matters in those areas.

The performance in the topic of Theory of the Firm was weak with an average of 18.7%. The poor performance in this topic was caused by wrong interpretations of the requirements of the question and inadequate knowledge on the part of arithmetic skills.

The performance of the candidates in the topics tested is summarized in *Appendix A*. *Appendix B* shows the comparison of candidates' performance per topic for ACSEE 2016 and 2017.

## **4.0 CONCLUSION AND RECOMMENDATIONS**

### **4.1 CONCLUSION**

The general performance of the candidates in Economics in the Advanced Certificate of Secondary Education (ACSEE), 2017 was good as the candidates had good performance in 11 topics out of the 16 topics examined in paper 1 and 2. The candidates performed well in this examination because they were able to; identify the demand of the questions, follow the required instructions, had computation skills and sufficient knowledge on the subject matter.

On the other hand, other candidates did not perform well in Economics. Poor performance was caused by wrong interpretations of the requirements of the questions and inadequate knowledge on arithmetic skills.

### **4.2 RECOMMENDATIONS**

In order to improve the performance of prospective candidates in this subject, it is recommended that:

- (a) Students should be encouraged to do many exercises to get experience in applying various formulas/concepts in answering questions.
- (b) Students should revise all the topics to make sure that they understand the concepts thoroughly well.
- (c) School administrators should ensure the availability and proper use of internet facilities or online materials as an alternative source of teaching and learning materials in the subject.
- (d) School administrators should team up with subject teachers to facilitate study tours, guest speakers as part of teaching and learning activities in order to broaden the students' understanding and enable them to acquire knowledge and skills in different areas of the subject.
- (e) Subject teachers should strive to equip themselves with learner centered teaching and learning methods and also equip themselves with knowledge on current economic issues, apply them in teaching and learning of economics. This will build interest or motivate students in the learning process.

# Analysis of Candidate's performance in each topic

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| S/n | Topics                               | Number of questions per topic | % of candidates who scored the average of 35 or above. | Remarks |
|-----|--------------------------------------|-------------------------------|--|---------|
| 1   | Marketing and Distribution           | 1                             | 99.2   | Good    |
| 2   | Structure of the Tanzanian Economy   | 1                             | 94.9   | Good    |
| 3   | Economic Integration and Cooperation | 1                             | 94.4   | Good    |
| 4   | Subject Matter of Economics          | 1                             | 89.7   | Good    |
| 5   | Trade Cycle                          | 1                             | 88.8   | Good    |
| 6   | International Trade                  | 1                             | 87.8   | Good    |
| 7   | Economic Growth and Development      | 1                             | 83.5   | Good    |
| 8   | Production                           | 1                             | 81.4   | Good    |
| 9   | Theories of Demand and Supply        | 1                             | 75.7   | Good    |
| 10  | Population                           | 1                             | 71.1   | Good    |
| 11  | Public finance                       | 1                             | 65.9   | Good    |
| 12  | National Income                      | 1                             | 54.7   | Average |
| 13  | Theory of Money                      | 1                             | 51.2   | Average |
| 14  | Market                               | 1                             | 49.9   | Average |
| 15  | Financial Institutions               | 1                             | 48.8   | Average |
| 16  | Theory of the Firm                   | 1                             | 18.7   | Weak    |

### Comparison Summary of Candidates' Performance per Topic for ACSEE 2016 and 2017

| S/N | Topic                                       | 2016                          |  |         | 2017                          |  |         |
|-----|---|-------------------------------|--|---------|-------------------------------|--|---------|
|     |   | Number of questions per topic | Percentage of Candidate who scored an average of 35 percent or above | Remarks | Number of questions per topic | Percentage of Candidate who scored an average of 35 percent or above | Remarks |
| 1.  | <i>Theory of Money</i>                      | 1                             | 97.9   | Good    | 1                             | 51.2   | Average |
| 2.  | <i>Population</i>                           | 1                             | 95.5   | Good    | 1                             | 71.1   | Good    |
| 3.  | <i>Privatization</i>                        | 1                             | 89.9   | Good    |                               |  |         |
| 4.  | <i>National Income</i>                      | 1                             | 89.4   | Good    | 1                             | 54.7   | Average |
| 5.  | <i>Environmental Economics</i>              | 1                             | 88.5   | Good    |                               |  |         |
| 6.  | <i>Theory of the Firm</i>                   | 1                             | 87.7   | Good    | 1                             | 18.7   | Weak    |
| 7   | <i>Subject Matter of Economics</i>          | 1                             | 85.2   | Good    | 1                             | 89.7   | Good    |
| 8   | <i>Production</i>                           | 1                             | 84.1   | Good    | 1                             | 81.4   | Good    |
| 9   | <i>Economic Growth and Development</i>      | 1                             | 80.6   | Good    | 1                             | 83.5   | Good    |
| 10  | <i>Economic Integration and Cooperation</i> | 1                             | 79.9   | Good    | 1                             | 94.4   | Good    |
| 11  | <i>Theories of Demand and</i>               | 1                             | 76.0   | Good    | 1                             | 75.7   | Good    |



|    |   |   |      |         |   |      |         |
|----|---|---|------|---------|---|------|---------|
|    | <i>Supply</i>                             |   |      |         |   |      |         |
| 12 | <i>Marketing and Distribution</i>         | 1 | 75.3 | Good    | 1 | 99.2 | Good    |
| 13 | <i>Markets</i>                            | 1 | 74.5 | Good    | 1 | 49.9 | Average |
| 14 | <i>Economic Planning</i>                  | 1 | 73.3 | Good    |   |      |         |
| 15 | <i>International Trade</i>                | 1 | 69.3 | Good    | 1 | 87.8 | Good    |
| 16 | <i>Structure of the Tanzanian Economy</i> | 1 | 54.3 | Average | 1 | 94.9 | Good    |
| 17 | <i>Public Finance</i>                     | 1 | 47.8 | Average | 1 | 65.9 | Good    |
| 18 | <i>Financial Institutions</i>             | 1 | 6.5  | Weak    | 1 | 48.8 | Average |
| 19 | <i>Trade Cycle</i>                        |   |      |         | 1 | 88.8 | Good    |

