CHRISTIAN SOCIAL SERVICES COMMISSION (CSSC)

NORTHERN ZONE JOINT EXAMINATIONS SYNDICATE (NZ-JES)

FORM SIX PRE-NATIONAL EXAMINATIONS 2025

151/2   **ECONOMIS 2**

MARKING SCHEME

SECTION A (20 Marks)

1. **Policy measures or solutions to improve Agricultural sector in Tanzania**
   - Land reforms policies. This involves the improvements in land fertility through the use of organic manure, fertilizers and control of soil erosion.
   - Provision of credits and subsidy to farmers. This can help famers to buy capital equipments like tractors and pay salary to workers
   - Economic stabilization policies. i.e controlling prices of agricultural products, exchange rate control etc.
   - Infrastructural development i.e construction of roads and railways storage facilities
   - Establishment of irrigation schemes to avoid dependence on nature
   - Establishment agro-based industries to widen the market of agricultural product
     A candidate should provide 5 points @ point= 2marks total marks = 10marks

2. **Problem faced by economic integration in LDC's**
   - Political instability. Civil war and political misunderstanding between member countries may hinder development of economic activities
   - Existence of similar products. Many developing countries produce similar commodities there by limiting the scope for trade
   - Difference in political ideologies and foreign policies. This makes it difficult for member countries to have common objectives.
   - Poor infrastructure, such as roads, railways etc.
   - Differences in currencies. This makes the prices of goods to change. Which may trade to become more difficult.
   - Low level of commitment by some members which makes implementation of the objectives of integration difficult.
     A candidate should provide 5 points each point carrying 2 marks @point 2 marks
     Total marks = 10 marks

3. (a) Per capita income cannot be used to standard of living due to:
    i)   Difference in price structure
    ii)   Difference in type of spending depending on the nature of country
    iii) Does not take into account the distribution of national income
    iv)   Per-capita income figures do not account the problem of insecurity
    v)   Difference in population growth and population size
    vi)   Inaccurate data on national income and population figures make per- capita income unreliable   **(Any five points @ 2 marks = 10 marks**)

b) i) $Gross\ national\ product\ (GNP) = GDP + NIFA$

$$GDP = C + I + G + (X - M)$$
$$Gross\ investment = Net\ investment + Depreciation$$
$$GDP = 230900 + 63400 + 12300 + 60600 + (14500 - 17500)$$
$GDP = 363900$……………………………….. **(02 marks)**
$$GNP = GDP + NIFA$$
$$GNP = 363,900 + 0$$
$GNP = 363,900$ ………………………….. **(03marks)**
ii) $Net\ National\ Product\ (NNP) = GNP - Dereciation$

$$NNP = 363,900 - 12,300$$

$NNP = 351,600$…………………………..   **(02 marks)** iii) $National\ Income =$
$NNP_{FC} = NNP_{MP} - Indirect\ tax + subsidies$

$$NNP_{FC} = 351,600 - 13,100$$
$NNP_{FC} = 338,500$………………….. **(03mark)**

4 (a) i) The process of credit creation

BANKS	DEPOSITS	CASH RESERVE	NEW LOAN
A	5000	1000	4000
B	4000	800	3200
C	3200	640	2560
D	2560	512	2048
E	2048	409.6	1638.4
TOTAL	**16,808**	**3,361.6**	**13,446.4**

3 columns @ 2 marks = 6 marks
    ii) Total deposits = 16,808……**02 marks**
    iii) Total cash reserve = 3,361.6……..**02 marks**
(b)Open market operation (OMO)-the practice of buying and selling government securities as a means of regulating money supply in the economy. This method has the following limitations
    (i)   It's not effective because of poor developed security market in Tanzania.
    (ii) the commercial bank's reserves are not stable that when central bank buy and sell securities the reserves do not increase accordingly.
    (iii) it'slimitedbythepessimisticandoptimisticattitudesofthebusinessmen.
    (iv) the velocity of credit money is not constant throughout the economy. velocity is affected by good times and bad times and goes irrespectively to the level of supply of money

The bank and business communities always act differently from the expectations of the central bank and hence limit the success of open market operation. (**Any 5points@02=10marks**

5. (a) (i) China has absolute advantage in production of car because it uses few hours to make 1 car than UK…………………….   **(02marks)**
   ➢ China has absolute advantage in production of cheese because it uses few hours to make 1 tone of cheese than Uk…………………. **(02marks)**

   ii)

COUNTRY	1 car	1 tone of cheese	$Opportunity\ cost = \dfrac{units\ forgone}{units\ produced}$	
			car	Cheese
UK	15	5	$\dfrac{5}{15} = 0.3$	$\dfrac{15}{5} = 3$
CHINA	4	2	$\dfrac{2}{4} = 0.5$	$\dfrac{4}{2} = 2$

   From the above table ………………. **(02 marks)**

   ➢ UK has comparative advantage in the production of car because it has lowest opportunity cost than china ………………….. …. **(02 marks)**
   ➢ China has the comparative advantage in the production of cheese because it has lowest opportunity cost than UK. ……………….. **(02 marks)**

(b) Reasons why less developed countries gain less from international trade:
   (i) Weak economic integration among developing countries
   (ii) Monopoly power of multinational firms which pays less for raw materials and charge high prices for commodities
   (iii) Declining price (value) of exports due to discovery of synthetic materials, low quality products produced, competition among producers on primary products, decline in demand in developed countries etc.
   (iv) Increasing prices of imports due to high demand for imports, increased demand for capital, increased tariffs on imports, devaluation of currencies etc.
   (v) Declining volume of exports due to low production, protectionism in developed countries, decline in population in developed countries, technological improvement in developed countries etc.
   (vi) Political instabilities in less developed countries that discourages both domestic and foreign investors.
   (vii) Natural calamities especially drought in some areas has caused agricultural failure and lead to low agricultural export earnings.
   (viii) Infrastructural bottlenecks like storage facilities.
   (ix) High transport costs since some countries are land locked.
        Any five (05) @ 2marks =10marks

SECTION C (40 marks)
6. A plan is an organized, orderly and focused effort or program of action to achieve a specifies end.
   A candidate should give any relevant introduction 01 mark
   Plans may fail for many reasons as listed below
   Unrealistic goals. Goals must be realistic, precise, measurable and achievable; Otherwise they can not be translated into actionable plans or achieved with certainly
   Unforeseen Events. The plan must accommodate unforeseen events catastrophes and contingencies. Since no can predict the future.
   Monetary and time constraints. The success of any plan depends upon the availability of time and money.
   Lack of expertise and skills. Many plains fail when organizations lose their skilled workers.
   Improper planning. Sometimes plans are hastily drawn without properly identifying priority areas.
   Unexpected changes in the macro environment they can render the plans ineffective and useless.
   A candidate should give six points @03 marks conclusion 01 mark.
   Total marks = 20 marks

7. "The foreign aid is defined as the voluntary transfer of resources from one country to another or from an international organization such as world Bank, IMF, World food program to the recipient country. Those aids may or can be in different forms such as military aid, humanitarian aid and others.

   A candidate should provide any relevant introduction (1 marks)

   Most of the economists argue that aid does not lead to the development but rather creates problems including the following

   Death of local industries local farmers and businessman end up going out of bursaries because they cannot compete with the abundance of cheap imported aid ie food as response to humanitarian crisis. Also large inflows of money that come into LDC's as a foreign aid increases the prices of locally produced goods and products. Due to their high prices export of local goods, reduce as a result local industries are forced to get out of business.

   Aid dependency
   - Aid has made many African countries and other developing countries incapable of achieving economic growth and development without foreign assistance.

   Corruption
   - Most of LDC's leaders and officials are able to amass huge sums of personal wealth for themselves and do use the aid provided for its intended purpose.

   Neo- colonialism
   - Donor countries offer foreign aid to poor countries while bargaining for economic influence of the poor or receiving countries.

   A candidate should provide any six relevant points @ 03 marks

   Conclusion 01 marks Total marks= 20marks

8. A candidate should provide any relevant introduction (02 marks)

   The national budget is prepared to perform the following functions:

   Reallocation of resources
   - It helps to distribute resources keeping in view the social and economic advantages of the country.

   Economic stability
   - The budget is also utilized to avoid business fluctuations to accomplish the aim of financial stability i.e deficit budget during deflation and surplus budget during inflation assist in balancing the prices in the economy.

   Manages public enterprises
   - Many public sector industries are built for the social welfare of people

   Economic growth
   - A country's economic growth is based on the rate at investments and savings

   Decrease regional differences
   - It arms to diminish regional inequalities by implementation taxation and expenditure policy

   A candidate should give any six relevant points @ 03 marks

   Conclusion 01 marks Total marks= 20marks