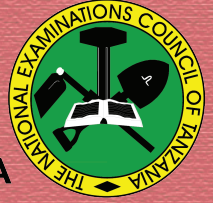


THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY
NATIONAL EXAMINATIONS COUNCIL OF TANZANIA



**CANDIDATES' ITEM RESPONSE ANALYSIS
REPORT ON THE ADVANCED CERTIFICATE OF
SECONDARY EDUCATION EXAMINATION
(ACSEE) 2025**

ECONOMICS



**THE UNITED REPUBLIC OF TANZANIA
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(ACSEE) 2025**

151 ECONOMICS

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FOREWORD

The National Examinations Council of Tanzania is pleased to issue the Candidates' Item Response Analysis (CIRA) report for Advanced Certificate of Secondary Education Examinations (ACSEE) 2025 in the Economics subject. The analysis has been made to provide feedback to education stakeholders.

The Advanced Certificate of Secondary Education Examination (ACSEE) concludes two years of Advanced Secondary Education. It serves as a summative evaluation that reflects, among other things, the overall effectiveness of the education system and the specific methods of education delivery. Essentially, the candidates' responses to the examination questions reveal what the education system was able or unable to provide to them during their two years of Advanced Secondary Education.

The analysis presented in this report aims to contribute to understanding the possible reasons for the candidates' performance on each question. The overall performance of the candidates in the Economics subject was good, as 99.99 per cent of them passed the examination. Moreover, out of the 16 tested topics 14 had good performance, 1 topic had average while the performance of one topic was weak. The report highlights some factors that led the candidates to score high marks. These include the candidates' ability to follow instructions in each question identify the specific tasks, express themselves clearly in English, and demonstrate knowledge of the concepts related to the subject matters of the questions.

Furthermore, the report highlights the challenges faced by a few candidates who scored low marks. Such factors included the candidates' failure to follow the instructions given in the questions, failure to identify the tasks of the questions, and a lack of knowledge about the concepts related to the subject matters of the questions. It is expected that the feedback provided in this report will enable education administrators, school managers, teachers, and students to identify appropriate measures to improve candidates' performance in future examinations conducted by the Council.

Finally, the Council would like to thank all individuals who participated in the preparation of this report.



Prof. Said Ally Mohamed

EXECUTIVE SECRETARY

1.0 INTRODUCTION

This report presents the performance of the candidates who sat for the Advanced Certificate of Secondary Education Examination in May 2025 in the Economics subject. It shows how the candidates performed on each question per topic.

The examination tested the candidates' competencies as per the requirements of the 2009 syllabus. The examination comprised two papers: 151/1 Economics 1 (Economic Theory) and 151/2 Economics 2 (Economic Development). Each paper consisted of 8 questions, which were distributed into Sections A, B, and C. In each paper, the candidates were required to answer a total of 6 questions; 2 questions in Section A and 2 questions from each of the sections B and C. In Section A, each question carried 10 marks, while in Sections B and C, each question carried 20 marks.

A total of 16,171 candidates sat for the ACSEE Economics paper and among them, 16,136 (99.99%) candidates passed. Relatively, the candidates' performance in 2025 has increased by 0.05 per cent when compared to the 2024 performance, in which 13,913 (99.94%) candidates passed.

This report analyses the candidates' performance in each question by giving an overview of what the candidates were required to do, how they responded to the questions, and what reasons that led to their good or weak performance. The candidates' performance in each question was considered weak if their scores ranged from 0 to 34 per cent, average if the scores ranged from 35 to 59 per cent and good if the scores ranged from 60 to 100 per cent.

Special colours have been used to categorise the performance, whereby green stands for good, yellow for average, and red for weak performance as seen in graphs and the appendix. Some extracts showing the candidates' responses have been included to illustrate by example how the candidates responded per the instructions for each question.

2.0 ANALYSIS OF THE CANDIDATES' PERFORMANCE IN EACH QUESTION

This part will analyse how candidates performed on each question. It will also indicate the reasons that made the candidates have a particular level of performance.

2.1 PAPER 1: 151/1 ECONOMIC THEORY

Economics 1 (Economic Theory) consisted of 8 questions which were distributed into sections A, B and C. In the paper, the candidates were required to answer a total of 6 questions; 2 questions in section A and 2 questions from each of the sections B and C. In section A, each question carried 10 marks, while in sections B and C, each question carried 20 marks.

2.1.1 Question 1: Subject Matter of Economics

In this question, the candidates were required to explain the importance of studying economics to both individuals and firms. This question evaluated students' ability to apply both theoretical and practical knowledge of studying economics in real-life situation.

The question was attempted by all 16,171 (100%) candidates who attempted Economics paper 1. Among them, 678 (4.19%) scored 0 to 3 marks, 6,518 (40.31%) scored 3.5 to 5.5 marks, and 8,975 (55.50%) scored 6 to 10 marks. The allotted marks in this question were 10. Generally, the performance of the candidates in this question was good since 95.81 per cent scored 3.5 to 10 marks. Figure 1 shows the distribution of the candidates' scores.

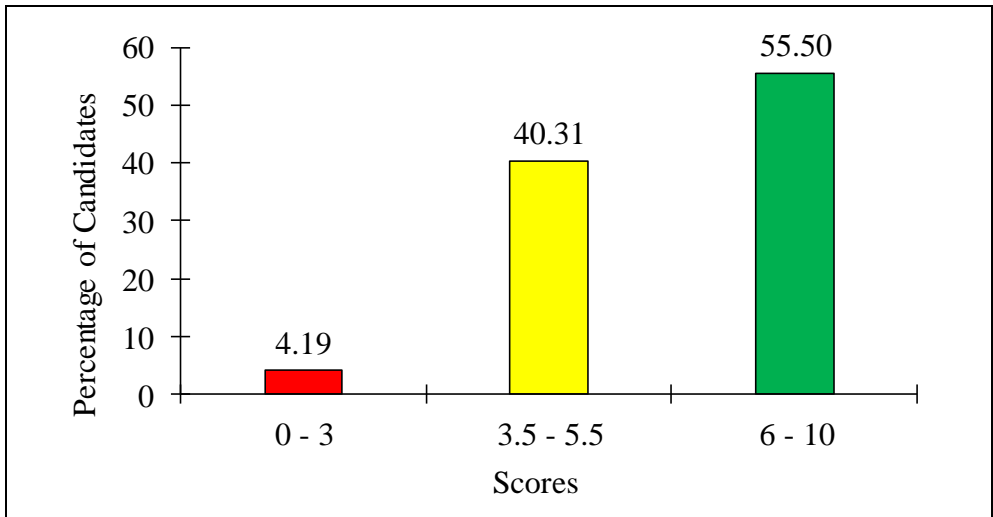


Figure 1: *Candidates' Performance on Question 1*

A total of 8,975 (55.50%) of the candidates who performed well in this question understood the importance of studying economics to both firms and individuals. They provided answers such as: *Knowledge is crucial for developing economic policies and strategies. It helps businesses create job opportunities, enables individuals to maximize their satisfaction, allows firms to increase profits while reducing costs, provides a fundamental framework for analyzing global issues like inflation and unemployment.* Extract 1.1 shows a good response to question 1.

1

① The knowledge of economics enables firms to maximize profit (Profit maximization)

- Studying economics will enable firms to get knowledge on how to allocate resources in the production so as to maximize the profit. Usually profit will be maximized when the costs are also minimized, therefore through studying economics firm will know that at what point he/she will be able to minimize cost and maximize profits.

For example through studying economics a firm which operates in perfect competitive market will know that in order to get super normal profit then price should be greater than average total cost, while Marginal revenue should be equal to marginal cost.

② The knowledge of economics enables individuals to maximize utility (Utility maximization)

- Once individuals will learn about economics they will be able to know how to use scarce resources so as to maximize profit. For example money is one among the scarce resources, therefore through studying economics, individuals will be able to know what to buy and what not to buy so as to maximize utility.

③ The knowledge of economics enable people to understand different economic concepts such as inflation, national income and others.

- Also the knowledge obtained from studying economics enable both individuals and firms to understand different economic concepts such

1	<p>inflation, deflation, national income, employment and unemployment. These economic concepts enable individuals to know the economic progress of our country as well as to predict what will happen in the future. For example a firm may learn about trade cycle and get a knowledge on how to operate his/her business in different phases of trade cycle.</p> <p>(IV) <u>The knowledge of economics enable people to get employment opportunities in different fields</u> - Once people will get the knowledge of economics and become expert in studying it is possible for them to get employment opportunities in different fields or occupations. For example individuals may be employed as economics teachers, financial analysts and others. Also they may establish their own employment instead of waiting for being employed by others.</p> <p>(V) <u>The knowledge of economics is very helpful in the formulation of different policies and plans</u> - Both firms and individuals may use the knowledge of economics in the formulation of different policies and plans. For example through the concept of price elasticity of demand a firm may be able to set price policies for the goods according to their elasticity. Elastic goods may be charged low prices while inelastic goods may be charged higher prices. Also individuals may be able to make their plans once they will learn about concepts such as opportunity cost and others.</p>
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Extract 1.1 A sample of a correct response to question 1

In Extract 1.1, the candidate correctly explained the importance of studying economics to both individuals and firms.

However, 6,518 (40.31%) candidates with average performance failed to explain with relevant examples some of the points, which indicates partial understanding of the subject matter. Others provided a few correct points

with unclear explanations. For example, one of the candidates managed to explain three correct points out of five. This shows that candidates had a partial understanding of the subject matter.

On the other hand, the 678 (4.19%) candidates with weak performance misunderstood the need of the question. Some of these candidates provided irrelevant responses such as *Economics is a wide subject, Economics maintains resources, it helps in price mechanism, Deals with Unlimited human wants, and Economics have to modify economic goods and services.* This implies that the candidates had inadequate skills on the subject matter. Extract 1.2 A sample of an incorrect response to question 1.

1.	of productivity. The following are the important to study economics both and individual firms such as following
	Economics is very wide; Due to Economics which have specify economy in different ways there lead to know that economics is very wide some mention on welfare wealth and scarcity.
	Science and technology; Economics is help to maintain resource which have - conduct market to produce goods and services that firms use machines to simplify work
	price mechanism; is the situation where by the firm which consist productivity due to manage the resource when, how to produce, where to produce, To whom produce these help to economists to modify their - production.
	Economics have unlimited human wants. Also among it economics important to it way to both and individual & firms due to human want unlimited in number which will be to satisfy human wants of goods and services.
	Economist have modification of economics of goods and services like rent and asset. There lead to the manage of choice and goods in the firms these led to have taste preference, and have easy to conduct goods and services.

Extract 2.1 A sample of an incorrect response to question 1

Extract 1.2 shows a candidate who provided irrelevant responses to question 1.

2.1.2 Question 2: Trade Cycle

In this question, candidates were required to examine characteristics of the boom period in the trade cycle. The question tested the candidates' ability to analyse the behaviour of the boom period in the trade cycle. They were expected to examine five characteristics of the boom period.

The question was attempted by all 16,171 (100%) candidates. A total of 585 (3.62%) candidates scored 0 to 3 marks, 1,170 (7.23%) scored 3.5 to 5.5 marks, and 14,416 (89.15%) scored 6 to 10 out of the 10 allotted marks. Generally, the performance of the candidates in this question was good since 96.38 per cent scored 3.5 to 10 marks. Figure 2 shows the distribution of the candidates' scores.

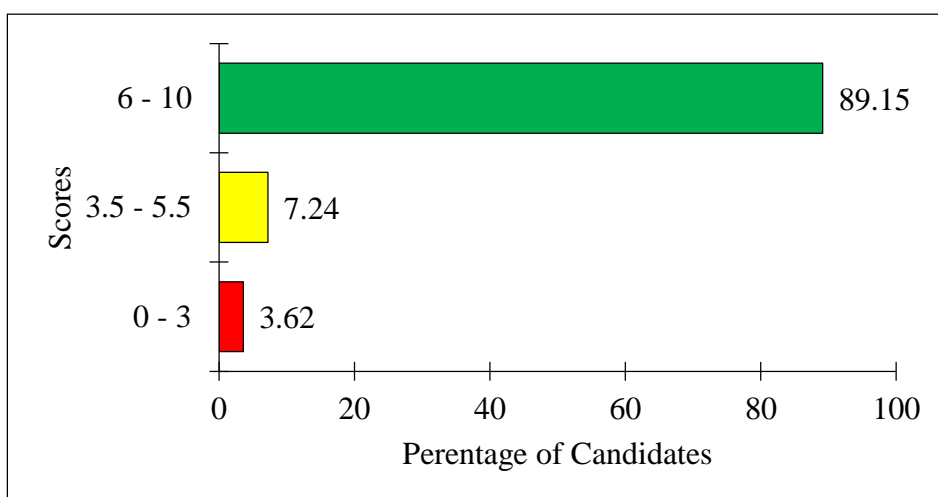


Figure 2: *Candidates' Performance on Question 2*

Candidates who performed poorly on this question demonstrated only partial knowledge. As a result, some explained the characteristics of the recovery phase instead of focusing on the boom phase. Others discussed features of the trade cycle, while a few presented ideas that were unrelated to the question's requirements.

Q2	<p>Trade cycle is a situation where by a commodity can be bought and sold in a given period of time. The boom period in trade cycle refer to a period of time where by buying and selling goods are less restricted by various conditions. The following are the characteristics of boom period in trade cycle which are:-</p> <p>Less taxation. In the boom period in trade cycle traders and women are not paying much taxes to a government. For example by using a certain public resources or services.</p> <p>Free price determination; The buyers and seller bargain on a price of a commodity and not determined by the state. For example price of fuel.</p> <p>Free choice; The producers decide what to produce, how to produce and for whom to produce. And the state does not interfere at all.</p> <p>Free and open market. The producer is allowed to sell the goods he has produced at any market in bargaining price in a given period of time.</p> <p>High demand and supply of a commodity and services. More quantities of goods are demanded and supplied due to free taxation. This is due to low transportation cost.</p> <p>The above explanations show the characteristics of boom period in trade cycle. If a period may affect the growth</p>
----	--

Extract 2.1 A sample of an incorrect response to question 2

In Extract 2.1 the candidate misconceived the question by explaining characteristics of the boom period by providing wrong points, such as *Free and open market*, *Free price determination*, *free choice*, *high demand of a commodity and less taxation*.

Furthermore, 1,170 (7.24%) candidates who had average scores gave partial explanations. Some of them outlined points but did not provide relevant examples for their points, while others failed to provide clear explanations of the mentioned points. Moreover, some of them repeated the points in different paragraphs. This indicates that they had a partial understanding of the concept.

However, 14,416 (89.15%) candidates with good performance verified to have a good understanding of the question; hence they managed to analyse characteristics of the boom in trade cycle, which indicates that the candidates were well prepared with knowledge of the subject matter concerned. For example, some of the candidates provided points such as *high consumer demand, the existence of full employment of resources, and high prices and profits*. This indicates that candidates were competent in the topic of business cycles. A sample of a good response is shown in Extract 2.2.

2.	<p>Boom period in trade cycle is the period of grace where all economic activities are at highest level, it sometimes called the peak period in the trade cycle. Boom period in trade cycle is characterized by many characteristics few of them are as follows</p> <p>There high investment level: In the boom period there high investment level where by in economic activities such as industries, Agriculture, mining, fishing and transportation there heavy investment from domestic and foreigners investors.</p> <p>There is high production: The boom period in trade cycle characterized with high production in economic sector which resulted to the high investment hence economy so has more fund to finance its activities hence the increase in production.</p> <p>There is high level of employment: Boom period in the trade cycle characterized with high level of employment which resulted to the high production hence the economy need</p>
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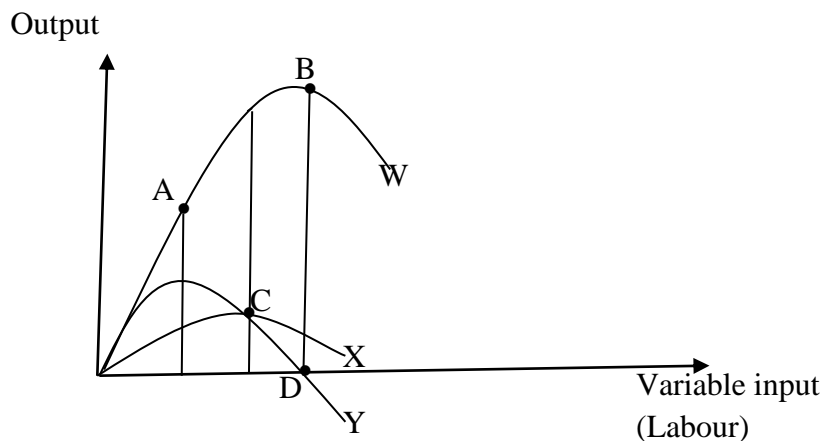
2.	More labour for production purpose hence the high level of employment in boom period, there high per capita income, also boom period characterized by the increase and high per capita income which resulted from high employment level which hence people's income high.	
	There high living standard of people in the boom period people lives in high living standard because people are employed and their income increase and its high that influence them to have high living standard.	

Extract 2.2 A sample of a correct response to question 2

Extract 2.2 shows a response from a candidate who managed to explain characteristics of the Boom period, like; *High levels of investment, production, level of employment, per capita income and Standard of living*

2.1.3 Question 3: Theory of Production

The question comprised two main parts: (a) and (b). In part (a), candidates were presented with a diagram containing three curves labelled W, X, and Y, as shown in the following figure.



Specifically: In (a) (i), the candidates were required to name the curves. In part (a) (ii), candidates were required to explain the variation of Total Product as the firm increases variable factors. In (a) (iii), they were required to explain what happened at point C and D. In part (b), the candidates were

required to explain five factors which affect the productivity of land. Overall, this question assessed candidates' ability to recall theoretical concepts, interpret graphical data, and articulate key principles related to the theory of production.

The question was attempted by 15,574 (96.31%) candidates. A total of 738 (4.74%) candidates scored 0 to 6.5 marks, 3,905 (25.07%) scored 7 to 11.5 marks, and 10,931 (70.19%) scored 12 to 20 out of the 20 allotted marks. Generally, the performance of the candidates was good, since 95.26 per cent scored 7 marks and above. Figure 3 shows the distribution of the candidates' scores.

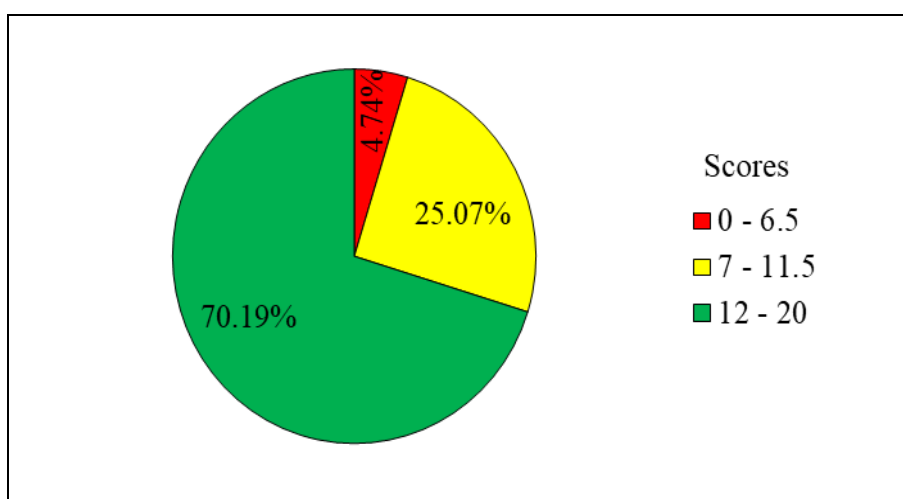


Figure 3: *Candidates' Performance on Question 3*

A total of 10,931 (70.19%) candidates who performed well in this question were able to name, explain and interpret the product curves. This implies that they had adequate knowledge of the subtopic in parts (a) (i), (ii), and (iii). In part (b), candidates managed to explain factors which affect the productivity of land by providing correct points such as efficiency of other factors, means of irrigation and method of cultivation. In part (a), they managed to name curves of W, X and Y. They were also able to explain the variation of Total Product as the firm employs more variable factors.

This implies that the candidates were competent with the topic on which the question was based. In that case, they gave their answers accurately. A sample of a good response is shown in extract 3.1.

3) (a) (i) Curve W is Total product (TP)
Curve X is Average product (AP)
Curve Y is Marginal product (MP)

(ii) When a firm employs more variable factors (Labour) while other factors remain constant (Land and Capital), initially total product will increase at an increasing rate (during stage one of production), later on it will increase at a constant rate until it will reach a point where total product will increase at a decreasing rate (it will experience diminishing marginal return)

From the origin up to point A, total product will increase at an increasing rate.

From point A up to where the marginal product is equal to average product total product will increase at a constant rate.

From point C total product will start to experience a decreasing rate.

3 a iii

- At point C, Average product is equal to marginal product. At point C is the point where Average product (AP) is maximized since it is the point where Average product (AP) is equal to marginal product (MP). It is the end of stage I and the beginning of stage II.
- At point D, Marginal product is equal to zero (0) and it is at that point, where Total product (TP) is maximized. Total product is at maximum therefore its derivative (Marginal product) must be equal to zero (0). It is the end of stage II and the beginning of stage III.

b

① Natural qualities of land

- The natural qualities of land can affect the productivity of land. Natural qualities of land include the fertility level of the land. The higher the fertility level of the land the higher the productivity of the land and the lower the fertility level of the land the lower the productivity of the land. For example fertile land is more productive than infertile land due to differences in natural qualities of land (fertility) levels.

3 (b) (ii) Means of irrigation

— Presence of means of irrigation in the economy may help to increase the productivity of land. A land which is frequently get water through irrigation schemes will have high productivity compared to the land which is not getting the water. Some land are very productive because they get water from the rain and irrigation systems.

(iii) Proper use of land

— When the land is used according to the type of uses that it must be used then it may have high productivity. For example black soil is suitable for production of Cotton. Therefore when the black soil will be used for the production of Cotton it is possible for the land to have high productivity compared to when it will be used for the production of other crops.

(iv) Efficiency of other factors of production

— The productivity of the land is also depending on the efficiency of other factors of production such as labour and capital. When skilled labour will be used in the production, the land may have high productivity compared to when unskilled labour will be used. Also the use of advanced machines like tractors increase the productivity of the land.

3 (b) (v)	<u>Method of cultivation</u>
	— The method which is used in cultivation can also affect the productivity of the land. For example crop rotation and contour farming may help to increase the productivity of the land. Shifting cultivation may affect the productivity of the land. Therefore the method which is used in cultivation can affect the productivity of the land.

Extract 3.1 A sample of a correct response to question 3

In Extract 3.1, the candidate correctly named the curves of W, X and Y in part (a) (i), and he/she explained correctly the variation of Total Product as the firm employs more variables of factors in part (a) (ii). Also, he/she explained about *methods of cultivation, means of irrigation, natural quality of land and efficiency of other factors of production* as factors affecting the productivity of land in part (b).

Moreover, 3,905 (25.07%) candidates with moderate scores managed to attempt part (b) correctly and failed to attempt part (a); this implies that they were not skilled in creating and interpreting the product curves.

On the other hand, 738 (4.74%) candidates with weak performance in the question named the curves given in part (a) (i) incorrectly, while others chose not to attempt that part. Furthermore, in part (a) (ii), other candidates failed to explain the variation of Total Product as the firm employ more variable factors. In part (a) (iii), they failed to explain what will happen at points C and D. Other candidates failed to explain the factors affecting the productivity of land as a requirement of question 3 (b). A sample of a poor response is shown in extract 3.2.

3(b)	<p>How we can choose it over other resources and make it as a priority over others and it become a very essential and important resource and get it as a reward for the available and unavailable resource and balance both economic usage or political stability. Knowing how to get it as a very essential it can create a very high price to get it to the industry or to the market, and this may lead to the availability of high demand on it as a scarce resources and then bring to it a very high standard of living to the society where it is available as a scarce resources, and now we get to know it as important as we need it as a scarce resources.</p>	
	<p>Now we can create it as a very big democratic tool for the stable and sustainable resource as we need it highly for the usage of available work as a resource for it should be scarce and carry the whole attention in the market and bring the suitable and economics affairs for both the seller of it and for the buyer of it.</p>	
	<p>We can use it as a basic need or as a socio-economic use it depends on how we get to survive on it as we continue bringing it as much as needed and therefore we can create it as it is required for the usage and make it more worthy and get a lot of demand and bring to it what we can call available and suitable land for the sake of taking goods and as we can take it as a resource.</p>	

Extract 3.2 A sample of an incorrect response to question 3

In Extract 3.2 shows a candidate who provided irrelevant materials in part (b) of the question.

2.1.4 Question 4: Theories of Demand and Supply

This question contains two parts (a) and (b). In part (a), candidates were required to explain five forms of inter-related demand, while in part (b), the candidates were required to explain the relationship between price elasticity of demand and total expenditure with the help of diagrams. This question tested the candidates' understanding and analysis ability of interrelated demand and the relationship between price elasticity of demand and total expenditure in parts (a) and (b), respectively.

The question was attempted by 5,032 (0.31%) candidates; among them, 974 (19.36%) scored 0 to 6.5 marks. The other 2,401 (47.71%) candidates scored 7 to 11.5 marks, and 1,657 (32.93%) scored 12 to 20 out of the 20 allotted marks. Generally, the performance of the candidates was good, since 80.64 per cent scored 7 marks and above. Figure 4 shows the distribution of the candidates' scores.

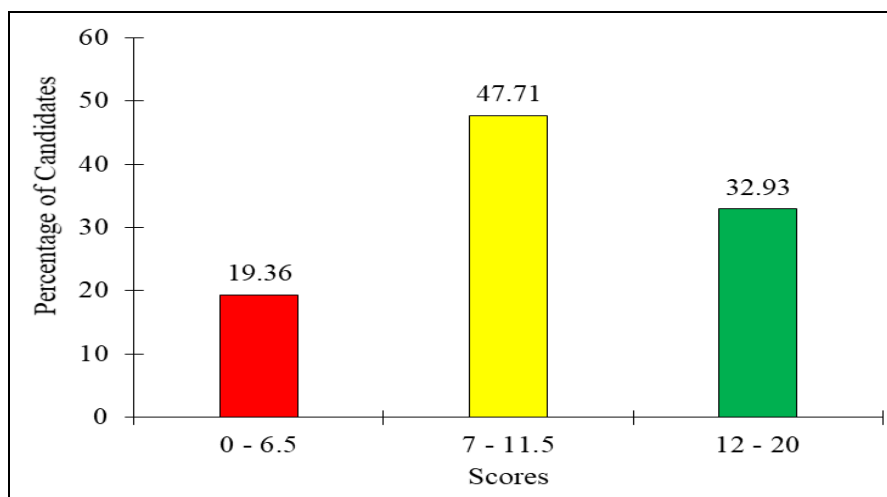
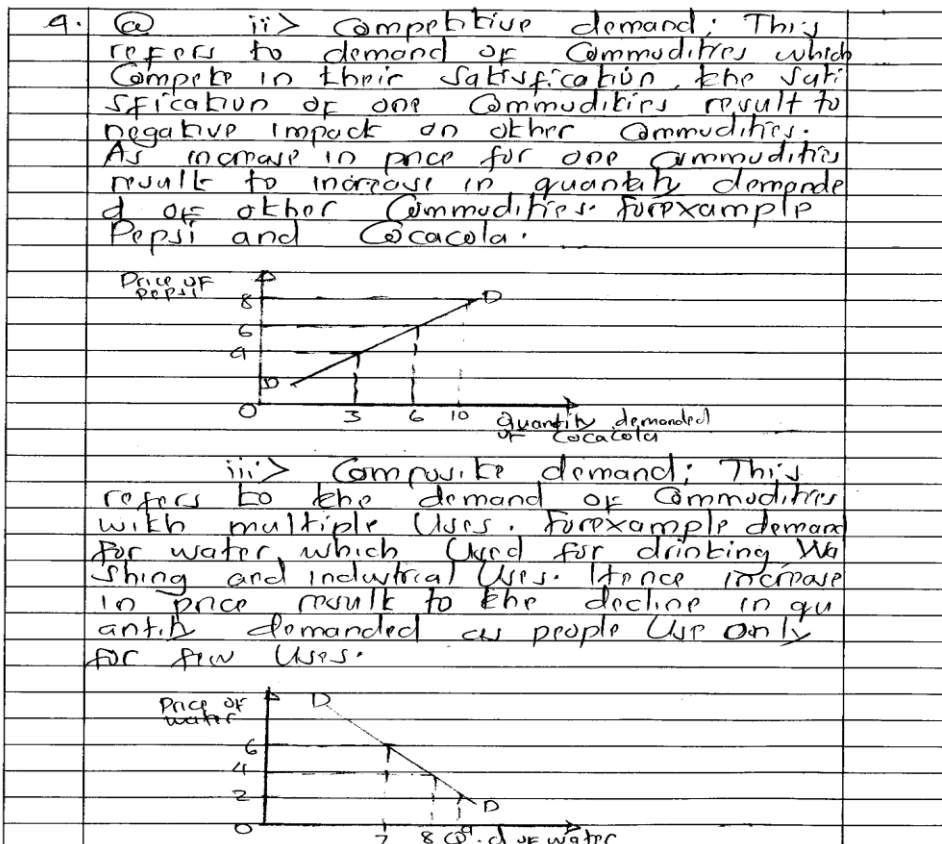
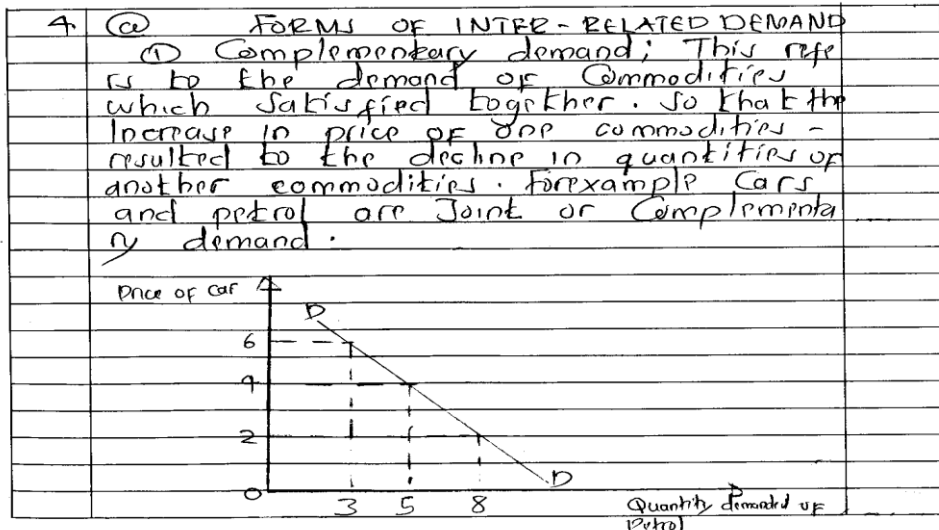


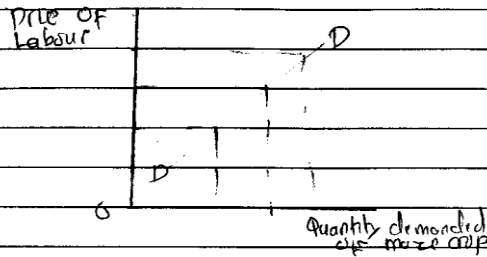
Figure 4: *Candidates' Performance on Question 4*

A total of 1,657 candidates, representing 32.93%, performed well on this question by accurately explaining five interrelated forms of demand. This indicates that they had a strong understanding of the subject matter presented in part (a). In part (b), the candidates successfully illustrated and explained the relationship between the price elasticity of demand and total expenditure. Furthermore, they were able to construct diagrams that

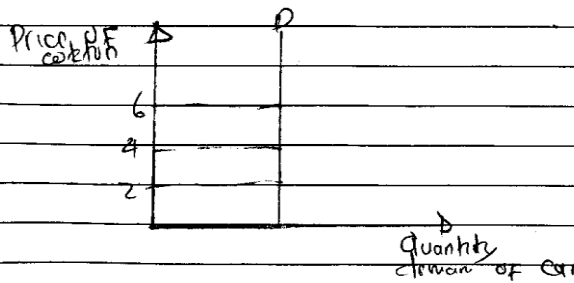
effectively demonstrated this relationship. A sample of a good response is shown in extract 4.1.



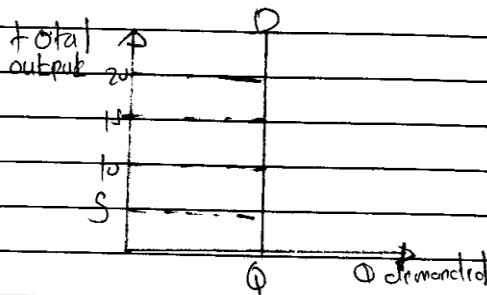
4. iv) Derived demand: This refers to the demand of commodities but not for its own sake but for fulfilling requirements of other demand. For example demand of factors of production like labour for production of goods and services.



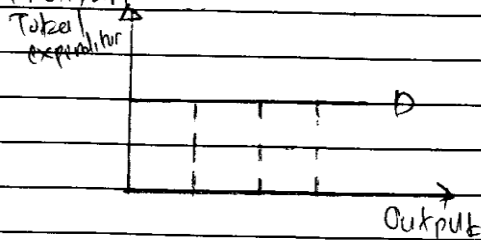
v) Independent / Unrelated demand: This refers to demand of products which cannot affect each other. For example increase in price of cotton cannot affect the quantity demanded of car.



4. (b) i) When price elasticity of demand is perfect inelastic. The result is that there is no change in quantity demanded hence the total outlay increased when the firm set high price for its commodities.

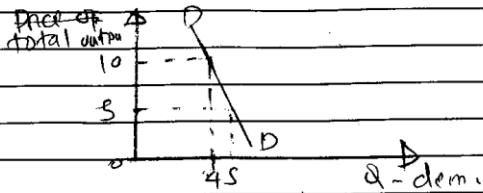


ii) Perfect elastic of demand; When the price elasticity of demand is perfect elastic then a firm can fluctuate in the total expenditure hence required to involve in sale promotion and advertisement to increase total expenditure.

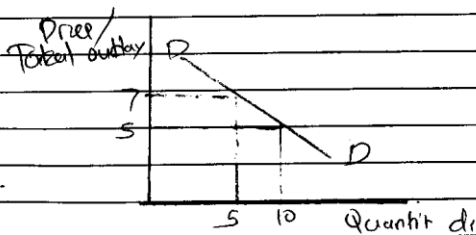


iii) Less inelastic of demand; when the product is less inelastic the firm in order to increase total expenditure require to set high price

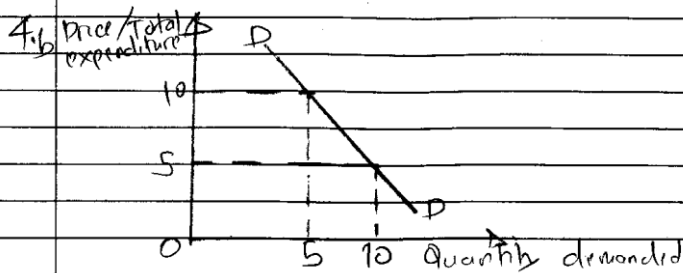
4b and Can get low total outlay when set low price.



iv) Less elastic of demand; At this the firm can increase total outlay in low price and lowering the total expenditure when setting high price because small change in price results to large change in quantity demanded.



v) Unitary elastic of demand; At this the firm can obtain total expenditure equal at any price because any change in price results to equal change with the given quantity demanded.



Extract 4.1 A sample of a correct response to question 4

In extract 4.1, the candidate managed to explain forms of interrelated demand in part (a). Also, he/she managed to provide diagrams and explain the relationship between price elasticity of demand and total expenditure in part (b).

Those 2,401 (47.71%) candidates with moderate performance in this question faced some challenges in answering the question. Some of them were able to attempt part (a) and failed to attempt part (b). This could be due to insufficient knowledge on the relationship between the concept of price elasticity of demand with the total expenditure.

On the other hand, 974 (19.36%) candidates with poor performance in this question failed to explain the forms of interrelated demand in part (a). While in part (b) they failed to illustrate and explain the relationship between price elasticity of demand and total expenditure. This indicates that they had insufficient knowledge of the topic of the subject matter. A sample of an incorrect response is shown in Extract 4.2.

The following are the forms of inter-related demand :-

Compl Complane

The following the forms of inter-related demand

Complementary - This is the form of inter-related demand which shows the negative slope that indicates the large proportional change in price bring the low change in quantity demanded in the Market.

Elastic, this show the quantity demand bought in the Market is less than one. This show that every change in quantity demand does not exceed the one in the Market

of. Unitary - This shows that the quantity demand is equal to one, the inter-related demand of quantity of products is equal to one

Elasticity - Inelastic - This the greater change in price bring the more change in quantity demanded. This show that the greater change in price bring the more change in price of Commodities.

Jointly This refer to the goods that used jointly Example petrol and Car, guns and bullets this implied that when increase the price of one then the price of the other increase

Generally, the concept of inter-related demand helps to the price determination in the market and price determination in the Markets by the forces of demand and supply.

Extract 4.2 A sample of an incorrect response to question 4

In Extract 4.2, the candidate explained the types of price elasticity of demand rather than the forms of inter-related demand in part (a).

2.1.5 Question 5: Theory of Market

This question contains two parts (a) and (b). In part (a), the candidates were required to examine the features of perfect competitive market. In part (b) (i), (ii) and (iii) the equations of MC and AC were given, candidates were required to calculate the quantity, average cost, marginal cost and price in the Long run. In part (b) (iv), candidates were required to calculate the quantities of maize demanded if the market demand for maize is given by $QD = 2,500,000 - 500,000P$. In part (b) (v), the candidates were required to calculate the number of sellers in the industry. This question tested the candidates' ability to apply mathematical skills to calculate the required variables.

The question was attempted by 11,736 (72.57%) candidates; among them, 1,693 (14.43%) scored 0 to 6.5 marks. The other 6,030 (51.38%) candidates scored 7 to 11.5 marks, and 4,013 (34.19%) scored 12 to 20 out of the 20 allotted marks. Generally, the performance of the candidates was good, since 85.57 per cent scored 7 marks and above. Figure 5 shows the distribution of the candidates' scores.

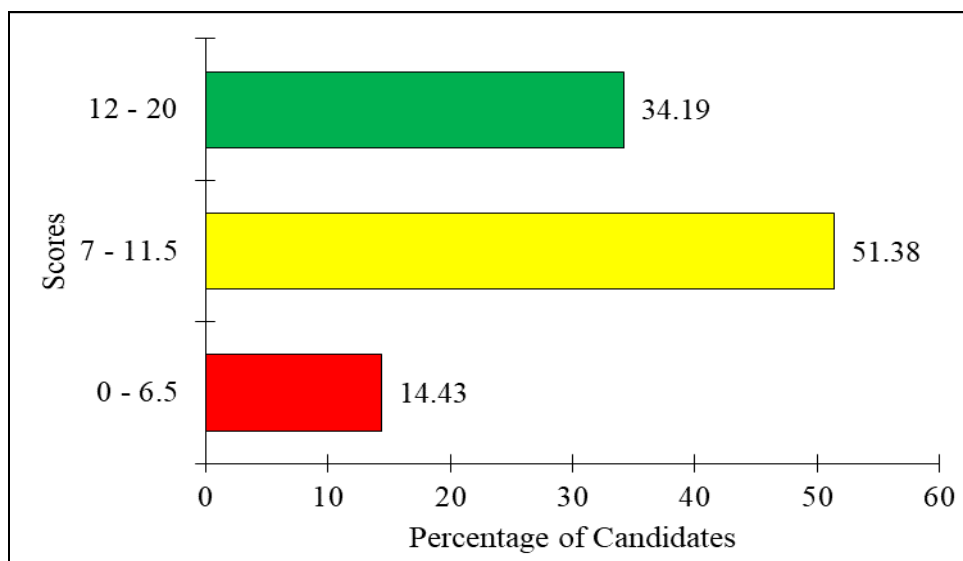


Figure 5: Candidates' Performance on Question 5

Those 4,013 (34.19%) candidates who performed well in this question were able to analyse the features of a perfect competitive market in part (a), and they managed to use mathematical skills and applied the correct formula

which enabled them to get the correct answer in all parts of (b) i.e. (i - v). A sample of a good response is shown in Extract 5.1.

b.	<p>vi: Features of Perfect competitive market:</p> <p>vii: No transport cost:</p> <p>- In PCM there is usually no transportation cost due to different factors. This is one among the features of perfect competitive market.</p> <p>viii: Consumers have perfect knowledge.</p> <p>- This is another feature of PCM whereby there is no advertising due to the assumption that people have perfect knowledge on the products produced.</p> <p>ix: Free entrance and exit in trade (market).</p> <p>- In perfect competition there are no trade barriers therefore a firm is free to enter and exit the business or trade i.e. no trade restrictions.</p> <p>x: Firm is a price taker:</p> <p>- Under PCM the firm is a price taker and price is usually determined by the market forces.</p> <p>xi: Products are homogeneous.</p> <p>- Under PCM the products are homogeneous thus there is high competition in market and no need to advertise.</p> <p>b): i. Quantity of maize the firm sells per day</p> <p style="text-align: center;">Q_{in}</p> <p>In the long run</p> <p style="text-align: center;">P =</p> <p>Condition:</p> <p style="text-align: center;">AC = MC.</p>	
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5b	where	
		$AC = 0.01Q - 1 + \frac{100}{Q}$
		$MC = 0.02Q - 1$
		$= AC = MC$
		$= 0.01Q - 1 + \frac{100}{Q} = 0.02Q - 1$
		$= 0.01Q + \frac{100}{Q} = 0.02Q$
		$= (0.01Q + \frac{100}{Q})Q = 0.02Q^2$
		$= 0.01Q^2 + 100 = 0.02Q^2$
		$= 0.01Q^2 - 0.02Q^2 + 100 = 0$
		$= -0.01Q^2 + 100 = 0$
		$Q = -100 \text{ and } 100. \text{ (Ignore -ve)}$
		\therefore <u>The quantity of maize = 100 kilograms.</u>
		iv. The longrun average cost and marginal cost at the level of output in (i)
		$AC = 0.01Q - 1 + \frac{100}{Q} = 0.01(100) - 1 + \frac{100}{100}$
		$= 1.$
		$MC = 0.02(100) - 1 = 2 - 1 = 1.$
		\therefore The longrun average cost and marginal cost at the level of output in (i) is 1.

5b iv)	Price of maize in the long run. $P = AD = MC$
	\therefore The price of maize = 1.
	iv): $QD = 2500,000 - 500,000(P)$ $= 2,500,000 - 500,000(1)$ $= 2,000,000$
	\therefore 2,000,000 kg of maize will be demanded in the market.
	v): Number of sellers in the industry. $= \frac{2,000,000 \text{ kg}}{100 \text{ kg}}$ $= 20,000 \text{ sellers}$
	\therefore There are 20,000 sellers in the market.

Extract 5.1 A sample of a correct response to question 5

In Extract 5.1, the candidate managed to explain features of perfectly competitive market in part (a). Also, was able to calculate the quantities of maize and the number of sellers asked in part (b) (i) – (v).

However, 6,030 (51.38%) candidates with average performance attempted part (a) correctly and failed to attempt part (b). This indicates that the candidates had insufficient arithmetic skills and application of the correct formula, which led to wrong answers in all parts, i.e., (i) – (v).

On the other hand, 1,693 (14.43%) candidates with poor performance in this question failed to examine the characteristics of a perfectly competitive market in part (a). While in part (b) the candidates failed to use the correct formula and mathematical skills to calculate the quantities of maize and the number of sellers being asked in part (b) of (i) – (v). This implies that the candidates had not only insufficient knowledge on the topic but also poor

mathematical skills in computations. A sample of an incorrect response is shown in Extract 5.2.

5a) Features of perfect competitive market.	
i) Marginal revenue is equal to average revenue.	
Perfect competitive market has been	

5) characterized by variation between marginal revenue and average revenue.	
ii) There is perfect technology.	
iii) Perfect competitive market has been characterized by perfect technology. Technology used in production under perfect competitive markets is perfect thus why marginal revenue is equal to margin average revenue.	
iv) Controlled by a monopoly.	
Monopoly means there is single seller in the market. Perfect competitive market it controlled by a monopolist.	
v) Price is controlled by monopolist.	
Under perfect competitive market the price of goods and services it controlled by monopolist. Only monopolist is who control the price of goods and services produced by firms.	
vi) High cost of production.	
Under perfect competitive markets, the cost of production is high so as to get more output in the firm. And also to get quality products.	
5b) solution	
Given:	
	$AC = 0.01Q - 1 + 100/Q$
	$MC = 0.02Q - 1$
Under condition:	
	$MC = MR$

$$TC = ?$$

$$TC = AC \times Q$$

$$TC = (0.01Q - 1 + 100) \times Q$$

$$TC = 0.01Q^2 - Q + 100$$

iv) solution

Given:

$$QD = 2,500,000 - 500,000P$$

$$500,000P = 2,500,000 - Q$$

$$500,000 \quad 500,000 \quad 500,000$$

$$P = 5 - 0.000002Q$$

$$TR = P \times Q$$

$$TR = (5 - 0.000002Q) \times Q$$

$$TR = 5Q - 0.000002Q^2$$

$$MR = \frac{\partial TR}{\partial Q}$$

$$MR = \frac{\partial (5Q - 0.000002Q^2)}{\partial Q}$$

$$MR = 5 - 0.000004Q$$

$$MC = MR$$

$$\text{where } MC = 0.02Q - 1$$

$$0.02Q - 1 = 5 - 0.000004Q$$

$$0.02Q + 0.000004Q = 5 + 1$$

$$0.020004Q = 6$$

$$0.020004Q \quad 0.020004$$

$$Q = 299.94$$

∴ Kilograms of maize which will be demanded in the market is 299.94.

	N). Solution.	
	Market demand: $2,500,000 - 500,000P$	
	Price = ?	
	$P = 5 - 0.000002Q$	
	where $Q = 299,94$	
	$P = 5 - 0.000002(299,94)$	
	$P = 5 - 0.0005$	
	$P = 5 - 0.0006$	
	$P = 4.99 \neq 5$	
	Price = 5	
	Number of sellers = $\frac{\text{Market demand}}{\text{Price Quantity}}$	
	$= \frac{2,500,000 - 500,000P}{5 \cdot 299,94}$	
	where $Q = 299,94$	
	$= \frac{2,500,000 - 500,000(299,94)}{5}$	
	$= \frac{2,500,000 - 500,000P}{299,94}$	
	$= \frac{2,500,000 - 500,000(5)}{299,94}$	
	$= \frac{2,500,000 - 2,500,000}{299,94}$	
	$= 0$	
	\therefore There is no any seller in the industry.	

Extract 5.2 A sample of an incorrect response to question 5

In Extract 5.2, the candidate failed to examine features of a perfectly competitive market in 5(a); He/she was also unable to use the correct formula to compute the quantities of maize and the number of sellers asked in part (b).

2.1.6 Question 6: Theory of Money

In this question, the candidates were required to account for the problems which may be encountered in compiling a price index. This question tested the candidates' ability to evaluate challenges during compiling the price index.

The question was attempted by 5,761 (35.63%) candidates. Among them, 61 (1.06%) scored 0 to 6.5 marks. Other 935 (16.23%) scored 7 to 11.5 marks, and 4,765 (82.71%) scored 12 to 20 out of the 20 allotted marks. Generally, the performance of the candidates was good, since 98.94 per cent scored 7 marks and above. Figure 6 shows the distribution of the candidates' scores.

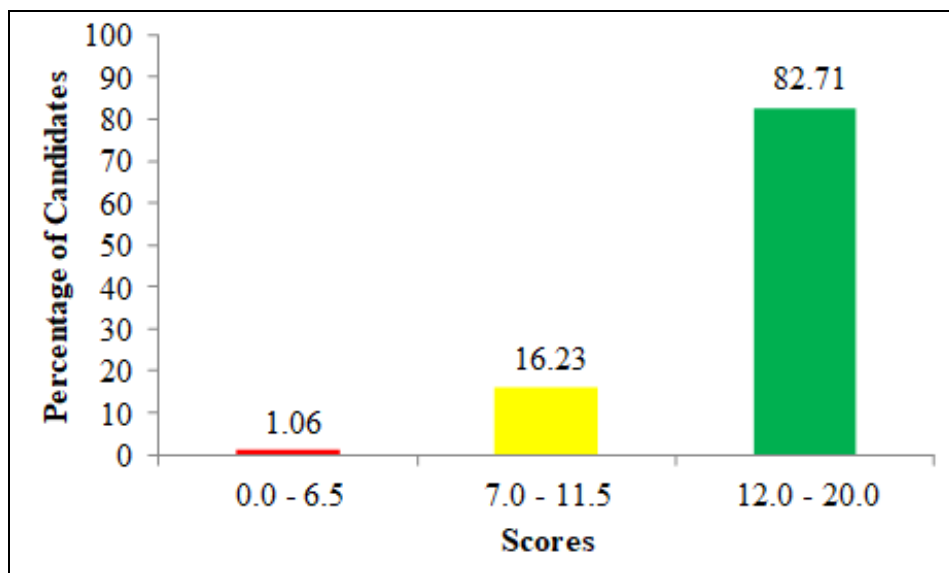


Figure 6: Candidates' Performance on Question 6

The candidates who performed well in this question were 4,765 (82.71%). These candidates showed a clear understanding of the challenges involved in compiling a price index. This demonstrates their strong analytical skills and a solid grasp of the relevant topic. For example, some of the candidates provided the point that the *price index may not be consistent since it depends on the weighing system used. In less developed countries, there is a shortage of funds and manpower to collect and process data.* Therefore, they were able to relate knowledge learnt in class to real-life situations. A sample of a good response is shown in Extract 6.1.

6	<p>Selection of representative commodities (Common basket of the commodity); Also it is very difficult to select a sample of basket that will be used as representative commodities. Each individual in the economy has his or her own type of goods that he/she prefer to purchase therefore selection of representative samples of commodities out of many commodities might not reflect what is happening in the economy. For example some people spend much in luxury commodities while others in real stuffs. So it is difficult to select the representative samples of commodities.</p>	
	<p>Selection of the base year; The base year is the year in which price index is assumed to be 100 and prices are assumed to be relatively stable. It is not possible to determine the exact year in which prices are stable since each year prices of goods and services in the economy tend to fluctuate. The economists face this problem since they can't determine the exact year that they may call a base year. For example due to fluctuations in production, natural factors and political factors prices tend to change every year. Therefore it is hard to get the base year.</p>	
	<p>Assigning weights; Also it is very difficult and complicated to assign weights to the commodities. Each individual in the economy has his/her own preferences therefore the weights that each good carry differs depending on the preferences of the individuals. A good which may have a high weight (value) to another one person may not have high value to another person. —</p>	

6	<p>Selection of representative commodities (Common basket of the commodity); Also it is very difficult to select a sample of basket that will be used as representative commodities. Each individual in the economy has his or her own type of goods that he/she prefer to purchase therefore selection of representative samples of commodities out of many commodities might not reflect what is happening in the economy. For example some people spend much in luxury commodities while others in real stuffs. So it is difficult to select the representative samples of commodities.</p>	
	<p>Selection of the base year; The base year is the year in which price index is assumed to be 100 and prices are assumed to be relatively stable. It is not possible to determine the exact year in which prices are stable since each year prices of goods and services in the economy tend to fluctuate. The economists face this problem since they can't determine the exact year that they may call a base year. For example due to fluctuations in production, natural factors and political factors prices tend to change every year. Therefore it is hard to get the base year.</p>	
	<p>Assigning weights; Also it is very difficult and complicated to assign weights to the commodities. Each individual in the economy has his/her own preferences therefore the weights that each good carry differs depending on the preferences of the individuals. A good which may have a high weight (value) to another one person may not have high value to another person. —</p>	

6 Price index is the measure of average percentage change in price from one year (base year) to another year (current year). The price index is computed by following procedures such as selection of the area of survey, selection of representative samples of households, commodities, base year and others. Price index can be computed through methods or formulas such as Laspeyres price index, Paasche price index and others. Normally the price index for the base year is 100 therefore any increase or decrease is what will be considered an increase or decrease in price, value of money, cost of living and standard of living. In the process of compiling the price index there are different problems that may arise. The following are some of them:

Selection of representative samples of households; It is very difficult to select samples of representative households that will represent the entire population. The selection will have to be on the households that will have those expenditures that are relatively similar to many people in the economy. Since each individual has his/her own tastes and preferences it is not possible to select the representative samples of households. Also due to differences in income level among individuals in the economy it is therefore difficult to select the representative samples. For example a selection of a rich people in the economy to present a poor people in the process of computing price index can not show good result. Therefore this problem hinder the process of calculation.

6 For example one person may state that rice is the commodity that has highest weight to him or her but to another person (may be person B) may say maize is the commodity that has highest weight (value), therefore the process of assigning weight to the commodities affect the process of compiling price index.

Selection of method of averaging (averaging method/formular); Also it is very difficult to select the type of method or formular to be used in the process of compiling price index since there are different methods or formulas that may be used. For example one may use Laspeyres price index and another Paasche's price index. Each method of averaging may bring different answer or result therefore it is not easy to decide which method of averaging to be used so as to get the actual result.

Changes occurring over time such as price changes; Also the economists face the problem of different changes that occur as time goes in the economy. Different social, political and economic changes occur in the country which may affect the economic progress of the country. As the result these changes may bring difficulties to the economists. For example inflation and deflation in the economy affect the prices of goods and services in the economy as the result even the calculations may show inaccurate data. Also changes in tastes, fashion and preferences of consumers tend to affect the interpretation and calculation of price index.

6	Generally price index has many utilities in the economy to both economists and general public. Some of the utilities of price index include, it helps in determination of the changes in value of money, it helps to determine changes in cost of living, it helps to determine the changes in standard of living, it helps to calculate the terms of trade and it is very helpful in the analysis of markets of goods and services in the economy.
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Extract 6.1 A sample of a correct response to question 6

In Extract 6.1, the candidate correctly analysed the problems which may be encountered in compiling the price index.

On the other hand, 935 (16.23%) candidates with average performance were able to mention points correctly but failed to explain clearly, while others provided fewer points than required. This suggests that the candidates have a limited understanding of the topic of price indices.

Nevertheless, 61 (1.06%) candidates with low scores in this question misunderstood it. These candidates explained wrong points like *high population, high production, provides employment, risk of unemployment and wider market*. This indicates that the candidates lacked knowledge of the subject matter addressed in the question. A sample of a poor response is shown in Extract 6.2.

06.	<p>Price Index :- Is the ratio between Price current</p>
	<p>Year to the base / previous Year. Price Index was</p>
	<p>the fall and increase of the Price level that may</p>
	<p>lead the problem which may leads to the occurred</p>
	<p>in compiling the Price Index, that may leads to the</p>
	<p>through the Price Index its influencing the Economic</p>
	<p>problems to their Country. as the following was the</p>
	<p>problems which may be occurred in compiling the</p>
	<p>price index, that was through the Price Index,</p>
	<p>as follow:</p>
	<p>Low Price :- low Price this leads to the</p>
	<p>factors for the problems which may be occurred</p>
	<p>in compiling the Price Index. Through the low price</p>
	<p>to the base of the year this was</p>
	<p>leads to the price through price changes this may</p>
	<p>leads to the low price due to the changes of</p>
	<p>the price level.</p>
	<p>Definition of Labour: definition of labour</p>
	<p>this may leads to the through the Price Index</p>
	<p>they may leads to the influencing the definition</p>
	<p>that may influences to their definition of the</p>
	<p>labours that may leads to the definition of</p>
	<p>the labour which may leads through the definition</p>
	<p>of the labour.</p>
	<p>Higher Revenue: Higher revenue this</p>
	<p>may leads the price of products and goods</p>
	<p>to be fall due to that through the higher</p>
	<p>revenue that may influences the revenue of</p>
	<p>the collector of the Taxes and Tributes to the</p>
	<p>Worker that may leads to the higher revenue.</p>

06.	Assess of Capital; Assess of Capital
	that may leads to the Assess of capital
	may leads to the the Capital to the
	of members leads to the Influence the
	assess of the Capital which leads the factors
	for problems which may be encountered to the
	compiling Price Index.
	Scale of Production; Scale of Production
	the may leads to the the production of the
	Scale may leads to their scale of production
	the Price Index the Scale of Production the
	Price Index may leads to the problem which
	may be encountered.
	Improvement of Infrastructure; Improvemen
	ent of Infrastructure may leads to the through
	these its can leads to the change system.
	Improvement of the Infrastructure leads to the
	factors for problems which may be encountered
	in compiling the Price Index.
	In Overall price index this was leads
	to the Economic benefits to the individuals
	and firms through the Price Index.

Extract 6.2 A sample of an incorrect response to question 6

In Extract 6.2, the candidate explained the stated and explained wrong points on the problems which may be encountered when compiling the price index.

2.1.7 Question 7: Theory of the Firm

In this question, the quotation was given to the candidates “Large-scale firms provide good working conditions and other facilities to employees”, which necessitates the candidates to support this quotation by providing six advantages of large-scale production. This question tested the candidates’ ability to apply the knowledge acquired in economics specifically to evaluate the contribution of large-scale production in the economy.

The question was attempted by 11,174 (69.10%) candidates. The candidates who scored 0 to 6.5 marks were 42 (0.38%), while 1,262 (11.29%) scored 7 to 11.5 marks, and 9,870 (88.33%) scored 12 to 20 out of the 20 allotted marks. Generally, the performance of the candidates was good, since 99.62

per cent scored 7 marks and above. Figure 7 shows the distribution of the candidates' scores on question 7.

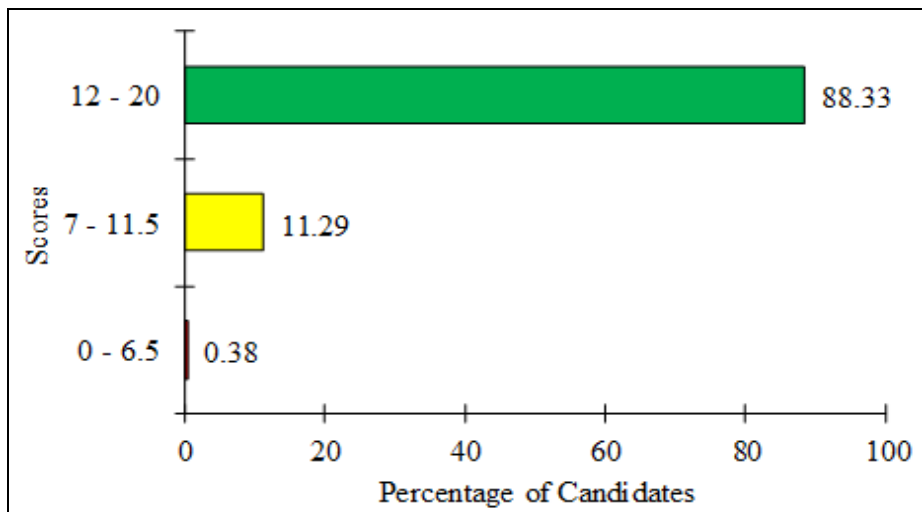


Figure 7: Candidates' Performance on Question 7

Those 9,870 (88.33%) candidates who scored high marks met the demand of the question by providing the advantages of large-scale production correctly and precisely. For example, some of the candidates were able to state the contribution of large-scale production as the *welfare of employees, the power to face emergencies and easy-to-acquire financial facilities*. This indicates that the candidates had good mastery of the subject matter and the ability to apply the acquired knowledge in real-life situation. A sample of a good response is shown in Extract 7.1.

7.

Large scale production refers to the scale of production which involves production or producing of large quantities of outputs or products relatively to the large quantities of inputs or factors of production usage, for example large scale farming and industry which characterized by advanced technology. The following are six advantages of large scale production:

Generates employment opportunities; due to usage of large quantities of inputs or factors of production such as labour can bring to use of labour intensive technique which lead to employing large number of people hence reduce unemployment problem.

Enjoy economies of scale; A large scale production is more advantageous as firms reduce average cost of production when expanding its firms hence makes firm to enjoy the economies of scale in the production of commodities.

Provide varieties of commodities to the people; large scale production produce large quantities of output hence provide variety of goods and services in the markets which bring to consumer's choices for the satisfaction of their needs.

Development of technology; Due to large scale production, a firm is able to employ advanced and modern technology by buying machines and equipment for production of high quality and quality goods and services, therefore lead to technological development.

7.	Expansion of market size ; Large scale production lead to large quantities of outputs produced hence expanding the size of market both local and international due availability of goods and services in the markets which lead to development of trade.
	Source of income and revenue to the government ; Due to engagement in the large scale production a firm is able able to get income in order to increase living - standard as well as government generate revenue from large scale production through imposing tax on goods produced.
	Generally, large scale production is more advantageous in our economy because it brings about development in all economic sectors of the country, therefore the government should increase expenditures and subsidies to the large scale firms so as to increase production in the country.

Extract 7.1 A sample of a correct response to question 7

In Extract 7.1, the candidate correctly explained advantages of large-scale production.

On the other hand, a total of 1,262 candidates, accounting for 11.29 per cent of the total, demonstrated average performance. Many of these candidates presented their points with inadequate explanations. Notably, several failed to support their claims with relevant examples, which weakened the overall effectiveness of their responses.

Furthermore, 42 candidates, accounting for 0.38 per cent performed poorly on question 7. They failed to articulate correct points accompanied by coherent explanations. A number of these Candidates tragically misinterpreted the question, and presenting irrelevant points such as *easy to expand market, easy to improve climate and easy to receive social stability*. This analysis reveals that these candidates had only a fragmented grasp of the specific subtopic at hand, underscoring a notable lack of depth in both their knowledge and critical thinking abilities. A sample of a poor response is shown in Extract 7.2.

7.	<p>Large scale firm; Refer to the condition which are the large scale of the production to understanding the facilitate to the employees to the competitive of the working condition which is support this quotation which are the determine of the following Advantage of large scale:</p> <p>Income to an individual: Such as of the large scale of the firm is to facilitate to the employees in the productivity to the large of scale of production to the good working individual to the condition of the income which are the both individual which are the economics</p> <p>Services of income; Through of the services of income which to promote the advantage of large scale production in the large of the market which produce the large scale of the production in the good working like unskilled labour which as the development from the services</p> <p>Increase government services; Through which working condition to increase the government services like school, hospital which the government are conduct to the government services in the scale production which are the social services in the large scale production to the competitive of the encountered to use the teacher, doctor which are perfect</p>
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7.	Private social services: Through of the large scale firms provide good working condition and other facilities to employees support this private social services in the country to the individual firm
	Increases of income; such as to produce the large scale of firm to conducting the large scale of production in the economy to individual and firm which as the conditions and the firm provide the scarcity of firm in the variation of the large scale which as the facilitate to improve in the income.
	Provision of social services; through of the condition of working which may provide good social services in the economy to the facilitate to the advantage of large scale production
	Generally: through of the advantage of large which are the working condition in the scale production

Extract 7.2 A sample of an incorrect response to question 7

In Extract 7.2, the candidate incorrectly explained the advantages of large-scale production, such as *an increase in income, provision of social services, private social services and income of an individual*.

2.1.8 Question 8: Population

In this question, the candidates were required to analyse the effects of population density. This question tested the candidates' ability to examine the outcomes that are likely to occur, either positive or negative, when there is high population density in the economy.

The question was attempted by 15,407 (95.28%) candidates. Out of whom, 24 (0.16%) scored 0 to 6.5 marks. Other 749 (4.86%) candidates scored 7 to 11.5 marks, and 14,634 (94.98%) scored 12 to 20 marks out of the 20 allotted marks. Generally, the performance of the candidates in this question

was good since 99.84 per cent of them scored 7 marks and above. Figure 8 shows the distribution of the candidates' scores.

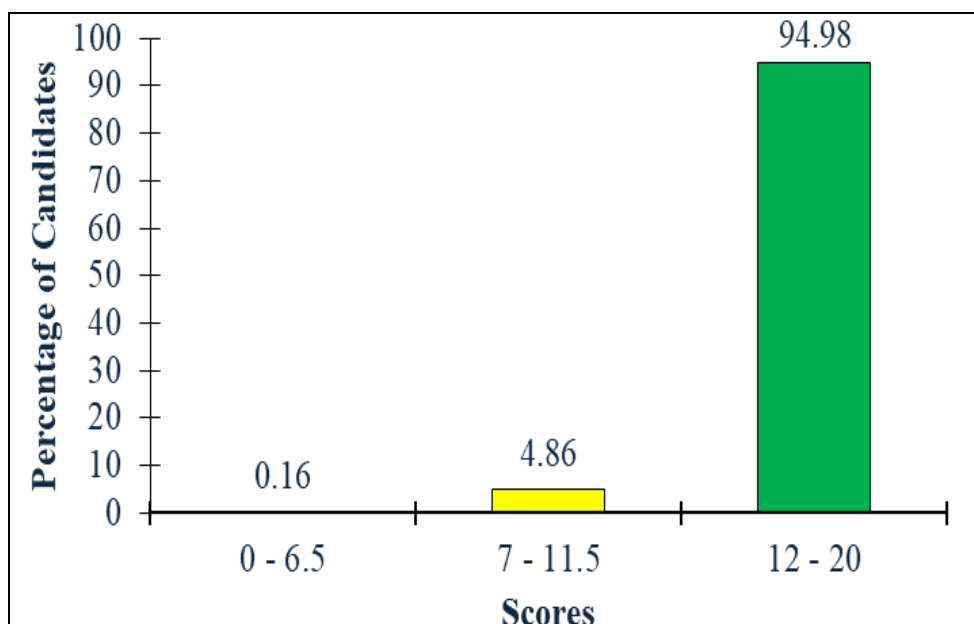


Figure 8: *Candidates' Performance on Question 8*

A total of 14,634 (94.98%) candidates who performed well in this question successfully analysed the effects of population density by providing both its positive and negative impacts with clear examples. For example, some of the candidates provided points such as an *increase in economic activities*, an *increase in social inequality and environmental degradation*. This depth of insight suggests that these candidates not only had a solid grasp of the subject matter but also effectively articulated their ideas with a high level of English proficiency. A sample of a good response is shown in Extract 8.1.

8.

Population density, is the amount of people living in a certain area per unit kilometre or per unit area. Population density is also be defined as the number of people living in a certain area per kilometre square. Pure in our real life, the population is very high compared to the sources available which bring us the concept of underpopulation, overpopulation and optimum population. High population density it has different effects which as follows:

It leads to unemployment among the people, one among of the effects of the high population density is unemployment problem, this is because the area with high population tend to have the high supply of labour but because of high population some people tend to be unemployed because of high number of people who are searching for jobs, hence leads to the unemployment problem among the people.

It leads to the outbreak and spread of diseases, the area with denser population lead to the easily outbreak of diseases and easily spread of diseases among the people. Forexample the diseases like covid-19, cholera and Ebola these are diseases which outbreak and spread mostly in areas with high population density, so that the high population density leads to the outbreak and spread of diseases.

It leads to the shortage of social services, Also another effect of high population density is the shortage of social services. If the people are highly populated the social services tend to be short. Forexample social services like education services, health services and security services among many become short or inadequate as a result of high population density.

8.	<p>It leads to environmental pollution, also the other effect of high population density in the society is environmental pollution. As a result of higher population in a certain geographical area leads to the environmental pollution such as air pollution, water pollution, deforestation, air pollution and also noise pollution. Therefore high population density leads to environmental pollution.</p> <p>It leads to the increase in crimes and terrorism, also the another effects of the high population density in a certain geographical area is the increase in crimes like prostitutions, robbers, panyaroads and also increase of terrorists groups as a resulting of lack of employment among the youth so they tend to engage in terrorisms and crimes.</p> <p>It leads to poor living standard and living conditions, also the area with high population density is normally experience the poor in living standard also together with poor living conditions as a result of lack of employment opportunities or unemployment problem among the people living in a certain area. For example poor housing and one meal per day hence another effect of high population density.</p> <p>Generally, apart from the effects of the high population density also there are the ways to overcome the negative effects of high population density such as through family planning, provision of the employment opportunities to the people and also increase in provision of social services to the people like education, health and communication services.</p>
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Extract 8.1 A sample of a correct response to question 8

In Extract 8.1, the candidate correctly examined the effect of high population density by providing points such as *it leads to the outbreak and spread of diseases, shortage of social services and poor living standards*.

Furthermore, 749 (4.86%) candidates with average performance in this question provided insufficient points. Some of them provided a few correct points. For example, some candidates provided two correct points out of six. Other candidates provided wrong arguments as population density *reduces government burden, increases political stability and increase in social*

services. This indicates that they had inadequate knowledge of the subtopic of population density.

Additionally, 24 (0.16) candidates performed poorly in this question. Most of them provided wrong points of the effects of population density. This signifies that they had poor knowledge of the topic tested.

or:	High population density, refers to the increasing of the population over that the available resources, this are the off high population density is more in the less developing countries. For example Tanzania it may be caused by the unequal distribution of income, low capacity of the social services. The following are the effects of the population of the high population density as follows below
	Help to increase the savings, the high population density help to increase the and encourage the purchasing to the country because of the there is so many that it can lead to the produce more idea in the country, and eventually to increase the saving level of the individual country.
	Help to increase the investment, also the high population density it lead to the increase of the investment because of there is so many the labour force that it can lead them to stimulate the production and the increase

or. the level of the output produce and this will lead the investor to be attracted by the that situation and eventually to be encouraging and investing to our country.

Help to stimulate ^{increasing} the high production. Also this is the effect of the high population density it lead the increase and stimulate the high production of the country because there will be the high rate of the labour force that can lead to work effectively in the economy and it stimuli to the demand production of the country.

Help to provide the source of the market, the high population density it is the source of the market.

Help to provide market, the high population density it help to the provide of the market, that is they can get the market through the population due to the product produced by the population the country can get the market internally and externally so as eventually they gain the foreign currency.

Help to increase the size of the national income, also the high population density it help to the increase the size of the national income of the country, because especially gross national product ^(GNP) and gross domestic product ^(GDP) by the population of the country to produce more in the country.

Help to provide improve their living standard, also the high population density it help themselves to improve their living standard and this will help to reduce the burden to the government as well the ratio of the debt to the country is due to the the high population density.

Generally, the following are the problem that is associated by the high population density like shortage of social services, unemployment, increase of the crime and the shortage of the funds and land.

Extract 8.2 A sample of an incorrect response to question 8

In Extract 8.2, the candidate incorrectly explained the effects of high population as it leads to an increase in savings and encourages the people to have saving habits.

2.2 PAPER 2 151/2: ECONOMIC DEVELOPMENT

The Economics Paper 2 (Economic Development) consisted of 8 questions divided into sections A, B, and C. Candidates were required to answer a total of 6 questions: 2 questions from section A and 2 questions from each of sections B and C. In section A, each question was worth 10 marks, while in sections B and C, each question was worth 20 marks.

2.2.1 Question 1: Economic Planning

This question consisted of five parts, where candidates were required to distinguish between various planning concepts. In part (a), candidates needed to differentiate the Development plan from the Economic plan. Part (b), required the candidate to distinguish between the Imperative plan and the Indicative plan. In part (c), candidates were asked to compare Plan machinery and Plan appraisal. Part (d), focused on the differences between a Centralized plan and a Decentralized plan. Finally, in part (e), candidates needed to identify the distinctions between a Socialist plan and a Capitalist plan. Overall, the question evaluated the candidates' understanding of various planning concepts as they are applied in economics.

The question was attempted by 16,170 (100%) candidates who attempted Economics paper 2. Among them, 4,173 (25.81%) scored 0 to 3 marks, 6,663 (41.21%) scored 3.5 to 5.5 marks, and 5,334 (32.99%) scored 6 to 10. out of the 10 allotted marks. Generally, the performance of the candidates in this question was good since 74.19 per cent scored 3.5 to 10 marks. Figure 9 shows the distribution of the candidates' scores in this question.

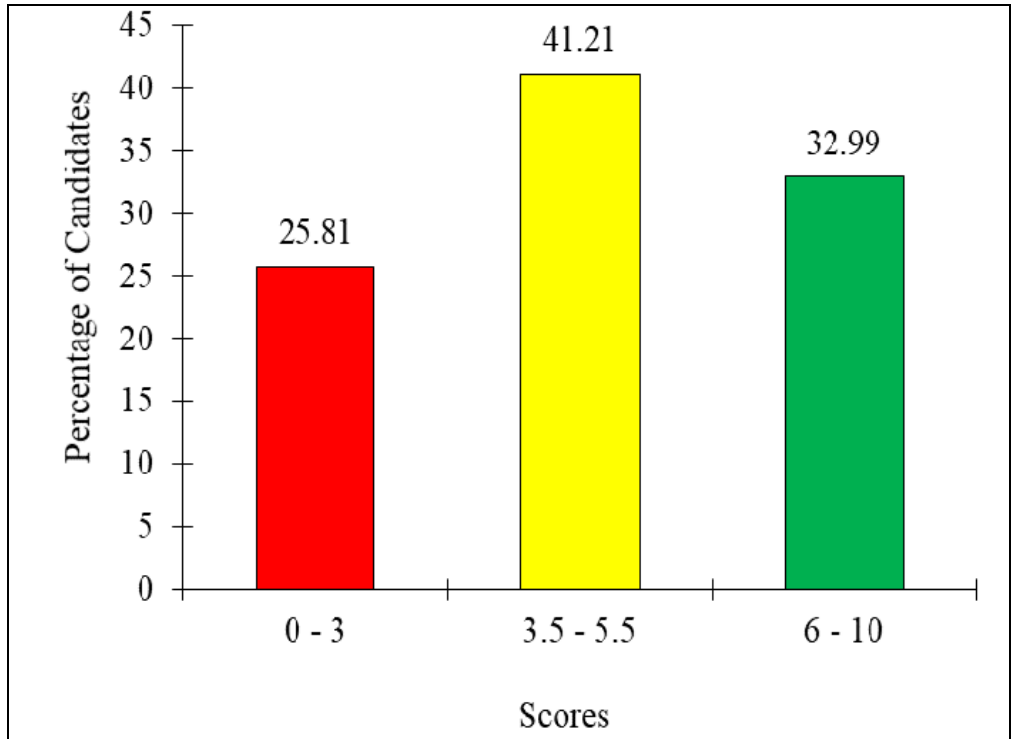


Figure 9: *Candidates' Performance on Question 1*

A total of 5,334 (32.99) candidates with good performance in this question had scores ranging from 6 to 10 marks. This shows that they were competent in explaining these concepts. They were able to differentiate a Development plan from an Economic plan, an Imperative plan from an Appraisal plan, a Centralised from a Decentralised plan, a Socialist from a Capitalist plan. Extract 9.1. a sample of a correct response to question one.

01.	<p>a) • <u>Development plan</u>; refers to the type of plan which is intended to ensure development in various sectors in the economy, such as a plan on the development of the agricultural sector or mining sector can be termed as examples of development plan; while</p> <ul style="list-style-type: none"> • <u>Economic plan</u>; refers to the type of plan which involves planning on a producer on how to allocate scarce resources to satisfy human wants, consumers on how to use their income to satisfy their daily wants and needs, or the government which deals on how the government is structured and planned on promoting economic development in the country. Such that economic plan deals with plans to the government, individual and consumers or how they are called economic plan.
	<p>(b) • <u>Imperative plan</u>; refers to the plan which involves covering of the whole economy, such as is like a comprehensive economic plan that covers the economy of a whole country, while</p> <ul style="list-style-type: none"> • <u>Indicative plan</u>; that is a type of plan which is intended to improve and develop some important economic sectors in the economy, such plans cover only few sectors in the economy.
	<p>(c) • <u>Plan Machinery</u>; refers to the board or organization which is involved directly in plan formulation to be implemented and also with closer supervision of the plan, such as plan machinery are like central planning authority which involves planning on the amount of funds</p>

01. (c) and other things to be considered and used during implementation of the plan, while,

- Plan appraisal, refers to the process of checking the performance of the plan as to if it is successful or not successful, such that plan appraisal involves evaluation of the implemented plan toward the objective of the plan.

(d) • Centralised plan, refers to the plan which is under the supervision of the central government to ensure attainment of some economic goals in the economy, such that the centralised plan is formulated by the government and the central planning authority and given close supervision by the government, while

- Decentralised plan, refers to the plan which is formulated by the individuals in the economy in village, ward or district levels as when directed by the government to formulate plan.

(e) • Socialist plan, refers to the plan which is formulated and controlled by the central government authority and given close supervision by the government to attain economic goal in a socialist country for the promotion of welfare and income redistribution equally to all people in the country, such that socialist plan always formulated in a socialist countries., while

- Capitalist plan, this is the type of plan which is left to the hand of the individuals

01. Which operated under the price mechanism in the economy in order to attain quantity demanded and supplied in the market and promotion of profit maximisation by the capitalist, this is the type of plan formulated especially by the capitalist nations.

In Extract 9.1, the candidate correctly distinguished the terms asked. The responses provided by this candidate were relevant to the question.

Furthermore, 6,663 (41.21%) candidates with average performance on this question partially differentiated the terms provided. Some managed to answer three out of five sections of the question.

Apart from that, 4,173 (25.81%) candidates performed weakly on this particular question. A number of them struggled to accurately differentiate between the planning terms presented, often confusing one term for another. Additionally, while some candidates managed to make partial distinctions between the concepts, their explanations lacked depth and clarity. Overall, these outcomes suggest a significant gap in their understanding of the relevant terminology and concepts associated with planning. A sample of a poor response is shown in Extract 9.2

1 a	Development plan is a plan used to show about the real life in the country while Economic plan is a plan used to show economically in the country	
b	Imperative plan is a plan used to show the imperative planned in the country while Indicative plan is a plan which indicate the plans in the country.	
c	Plan machinery is a plan which used to show the situation and operation of machinery in the place or areas while Plan appraisal is a plan to show the situation where by machinery engaged.	
d	Centralised plan is a plan which show the central economic in the country while Decentralised plan is a plan used to show different economy in the country.	
e	Socialist plan is a plan which show the economy in all people in the country while Capitalist plan is a plan which show the economy individually but not in a country or nation	

Extract 9.2: A sample of an incorrect response to question 1

In Extract 9.2, the candidate incorrectly distinguished planning concepts as required in question 1.

2.2.2 Question 2: Economic Growth and Development

Candidates were given the statement “According to Harrold Domar Growth Model, economic growth is independent from the level of national savings and productivity of capital investment,” whereby Candidates were required to explain briefly the limitations of this model. The question tested the candidates’ ability to understand the limitations of the Harrod Domar model in explaining the economic growth process. Candidates were expected to provide five points in their explanations.

The question was attempted by 16,170 (100%) candidates. Among them, 12,681 (78.42%) scored 0 to 3 marks, 2,345 (14.50%) scored 3.5 to 5.5 marks, and 1,144 (7.07%) scored 6 to 10 out of the 10 allotted marks.

Generally, the performance of the candidates in this question was poor since only 21.58 per cent scored 3.5 to 10 marks. Figure 10 shows the distribution of the candidates' scores in this question.

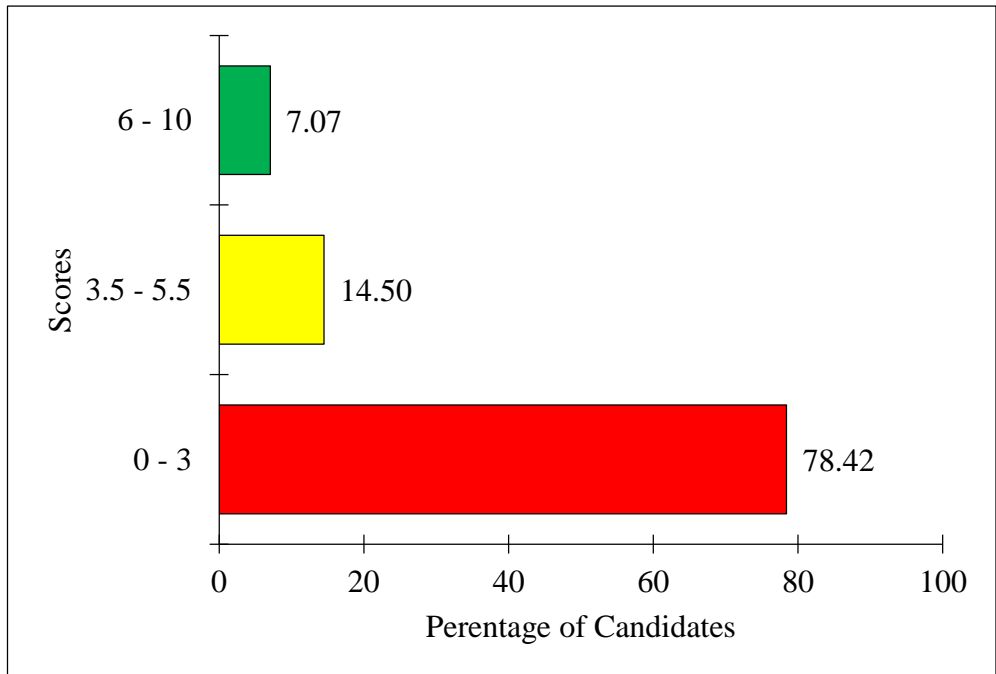


Figure 10: Candidates' Performance on Question 2

A total of 1,144 (7.07%) candidates who performed well in this question explained precisely the limitation of Harrold Domar growth model in economic growth which indicates candidates' capability of manipulating learned materials in real life situation. For example, some candidates explained limitations as: *Ignoring international trade, constant marginal product of capital may not be true in reality*. This implies that the candidates had sufficient knowledge of the Harrold Domar Growth Model. A sample of the correct response is shown in Extract 10.1

2.	(i) The level of saving and productivity of capital investment is not the only determinant of economic growth. There are other factors which influence the economic growth such as level of technology.	
	(ii) His assumption of economic growth being independent to the national saving and productivity of capital investment is not true. This is because economic growth depends on several factors such as national saving and productivity of capital investment.	
	(iii) He ignored the role of technological advancement as a factor that influences the economic growth of a country. He only focused on national saving and productivity of capital but ignored technology a factor that influences economic growth.	
	(iv) He assumed a closed economy, where he ignored the benefits gained from international trade as factors that could lead to economic growth of a country.	
	(v) It was more theoretical based than being practically based. He used mathematical relationship to show how economic growth takes place, rather than being practical based and realistic. Thus the theory was just idealistic.	

Extract 10.2 A sample of a correct response to question 2

On the other hand, 2,345 (14.50%) candidates with average scores, responded to less points than requirement. Some candidates outlined few points with unclear explanations for example, one of the candidates mentioned all the five points accurately but he/she did not explain them.

Moreover, 12,681 (78.42%) candidates with weak performance in this question were unable to explain the limitations of the model. This indicates that they lacked knowledge of the limitations of the Harrod Domar model and some of them could not understand the requirement of the question. A sample of a poor response is shown in Extract 10.2.

2.	Economic growth is independent from the level of national savings and productivity of capital investment.	
	The following are the limitations of this model	
	According to Harrod Domar Growth Model, economic growth is independent from the level of national savings and productivity of capital investment.	
	It create un employment in the country, if economic growth is independent from the level of national savings and productivity of capital investment it does not employ people in the country.	
	It can create growth of population in the country, if economic growth is independent from the level of national savings and productivity of capital & investment it does not growth economic in the country.	
	It can create poor economic in the country, According to Harrod Growth Model, economic growth is independent from the level of national savings and productivity of capital investment is not good for economically	
	It can provide poor social services in the country like education, health services there fore economic depends all people to produce production or factor of production in the country.	
	It can provide poor transport and communication because in economically good life in the country it depends all factors of production in the country but not is from the level of national savings and productivity of capital investment.	

Extract 10.2 A sample of an incorrect response to question to 2

In Extract 10.2 shows the candidate who failed to explain the limitations of Harrod Domar growth model.

2.2.3 Question 3: National Income

This question had three parts, (a), (b) and (c). In part (a) candidates were provided with income function of two sector model of $Y = C + I$ and consumption function of $C = a + bY$ in which they were required to derive the investment multiplier. In part (b) candidates were given data of country X required to calculate the change of National Income in the economy. In

part (c) candidates were required to elaborate six factors that determine the level of savings in the economy. This question intended to measure candidate's ability of applying mathematical skills in deriving investment multiplier in part (a), also capability of applying mathematical approach in calculating change in national income in part (b). While in part (c) the question intended to test candidates understanding by elaborating factors which determine the level of saving in the economy.

The question was attempted by 14, 532 (89.87%) candidates. Among them, 1,416 (9.74%) scored 0 to 6.5 marks, 4,985 (34.30%) scored 7 to 11.5 marks and 8,131 (55.96%) scored 12 to 20 out of the 20 allotted marks. Generally, the performance of the candidates in this question was good since 90.26 per cent of the candidates scored 7 marks and above. Figure 11 shows the distribution of the candidates' scores in question 3.

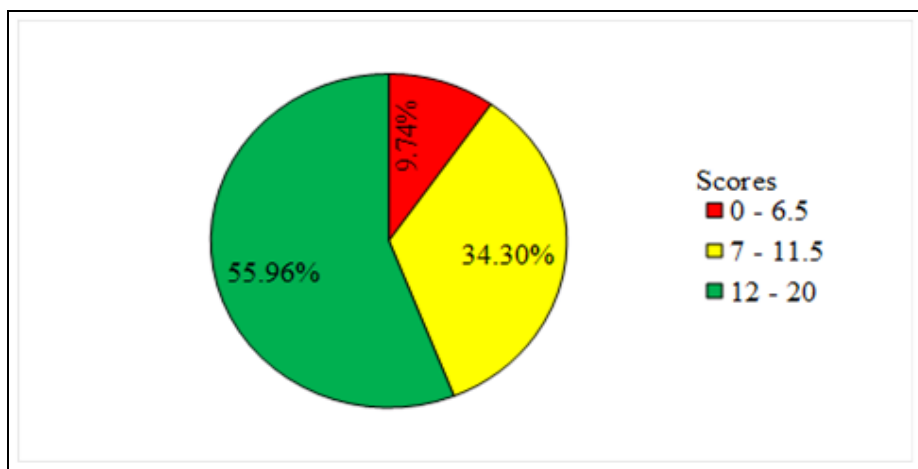


Figure 11: Candidates' Performance on Question 3

A total of 8,131 (55.96%) candidates performed well on this question. They demonstrated strong mathematical skills and correctly applied the relevant formulas, leading to the right answers. Additionally, they exhibited a solid understanding of the factors that influence the level of savings. As a result, these candidates showed a good mastery of the subject matter. A sample of good response is shown in Extract 11.1.

Q3 (9)

From

$$R = \frac{\Delta Y}{\Delta I}$$

$$\Delta Y = Y_2 - Y_1$$

$$Y_1 = c + I$$

From
but $c = a + by$

$$Y_1 = a + by + I$$

Collect right terms,

$$Y_1 - by = a + I$$

$$Y_1(1-b) = a + I$$

$$\frac{Y_1}{1-b} = \frac{a + I}{1-b}$$

$$Y_1 = \frac{a + I}{1-b}$$

(9)

From

$$Y_2 = c + I + \Delta I$$

but $c = a + by$

$$Y_2 = a + by + I + \Delta I$$

$$Y_2 - by = a + I + \Delta I$$

$$Y_2(1-b) = a + I + \Delta I$$

$$\frac{Y_2}{1-b} = \frac{a + I + \Delta I}{1-b}$$

$$Y_2 = \frac{a + I + \Delta I}{1-b}$$

(10)

From

$$\Delta Y = Y_2 - Y_1$$

$$= \frac{a + I + \Delta I}{1-b} - \frac{a + I}{1-b}$$

$$= \frac{a + I + \Delta I - a - I}{1-b}$$

$$3(a) = \frac{a + Y + \Delta I - a - Y}{1 - b}$$

$$\Delta Y = \frac{\Delta I}{1 - b}$$

divide by ΔI both side

$$\frac{\Delta Y}{\Delta I} = \frac{\Delta I}{1 - b} \cdot \frac{1}{\Delta I}$$

$$\frac{\Delta Y}{\Delta I} = \frac{\Delta I}{1 - b} \times \frac{1}{\Delta I}$$

$$\frac{\Delta Y}{\Delta I} = \frac{1}{1 - b}$$

but

$$\frac{\Delta Y}{\Delta I} = K \quad \text{where } b = MPC$$

$$K = \frac{1}{1 - b}$$

Hence proved,

(b)

Data

$$Y = 100 \text{ million}$$

$$MPC = 0.6$$

$$C = 40 \text{ million}$$

$$\Delta Y = ?$$

from

$$K = \frac{1}{1 - b}$$

but $b = MPC$

$$K = \frac{1}{1 - 0.6}$$

3 (b)

$$k = \frac{1}{1 - 0.6}$$

$$k = \frac{1}{0.4}$$

$$k = 2.5$$

From

$$k = \frac{\Delta Y}{\Delta I}$$

$$\Delta Y = k \times \Delta I$$

$$\Delta Y = 2.5 \times 50$$

$$\Delta Y = 125 \text{ million Tsh}$$

∴ The change of national income in the economy is 125 million Tsh

⇒ The following are the factors that affect the level of savings.

① Banking systems.

⇒ The banking systems affect the rate of savings because of the interests that are granted in the savings account tend to fluctuate, if the rates of interests are stable then more and more people will be encouraged to save money.

② Taxation.

⇒ The level of tax charged to the people also is a factor of saving, high and heavy tax causes savings to be reduced because more money is taken by the Government so people won't have any money to save.

3	(iii) <u>level of income.</u> ⇒ The higher the level of income then the higher the level of saving but when the rate of income is low then a person will not have enough money to save and hence small amount will be saved.
	(iv) <u>level of prices.</u> ⇒ The prices of goods tend to rise and fall, during high prices few people save money because only few can buy things at high cost and at the same get money for saving of future use.
	(v) <u>Ability and willingness to save.</u> ⇒ The desire of a person to save is among of the best reason for a person to be saving money, if a person or a country sees it is very important to save then more and more money will be saved.
	(vi) <u>Government policies on savings.</u> ⇒ Sometimes the Government can influence the people to save due to some unforeseen circumstances like wars and thereafter people will comply and follow the Government because it controls everything in the nation.

Extract 11.1: A sample of a correct response to question 3

In Extract 11.1, the candidate managed to derive the investment multiplier in part (a) and calculate the change in national income in part (b). He/she managed to explain factors which determine the level of savings in part (c), such as *level of income, level of price and government policy*.

However, 4,985 (34.30%) candidates with average performance in this question failed to attempt parts (a) and (b) but managed to attempt part (c). This implies that they had insufficient mathematical skills and its applications in solving multiplier problems of national income.

The 1,416 (9.74%) candidates performed poorly in this question they misunderstood the requirements of the question hence failed to derive

investment multiplier, and to apply the formula to calculate the changes in national income using the given data. They were also unfamiliar with the factors determining savings in part (c). For example, some of the candidates explained factors like *Human resource in a country, amount of natural resources and presence of Assets and producer goods, as the factors determining savings*. A sample of incorrect response is shown in Extract 11.2.

3a	$(Y = C + I) \quad (C = a + bY)$	
	$Y = C + I = C = a + bY$	
	$Y = C + I = C = Y$	
	$\frac{I}{C}$	
	Credit multiplier	
	Investment = $\frac{I}{C}$	
	Credit multiplier	
	\therefore Investment = $\frac{I}{C}$	
	Credit multiplier	
b	Data given	
	Y of $X = 100$ million	
	MPC - Marginal propensity to consume = 0.6	
	Consumption $C = 40$ millions lbs	
	Change in income = Required	
	Investment = 50 millions	
	Change in income = $Y + MPC - C + I$	
	Change in income = $100 - 40 - 0.6 + 50$	
	Change in income =	
	\therefore Change in income of country X will	
	be =	

3b.	Data given	
	$Y = 100$ millions.	
	marginal propensity = 0.6	
	Consumption = 40 million.	
	Investment = 50 millions Tshs.	
	$\Delta Y = \frac{\Delta MP}{\Delta C}$	
	$= \frac{0.6}{40 \text{ million}}$	
	$\Delta Y = 0.015$	
	$\frac{\Delta y}{\Delta I} = \frac{0.015 \text{ million}}{50 \text{ million}}$	
	$\Delta y = 3 \times 10^{-4}$	
	\therefore the change in income is 3×10^{-4}	
	Tshs.	

3c).	Factors which determine the level of savings in the economy.	
	Population size; when there is large of number of people in an area that directly implies that even the level of savings in the economy will be increase than normal but when there is low number of people and that directly implies that the the level of savings will be very low than normal	
	financial goals; when the financial goals at a high rate that implies that even the level of savings will be high than normal due to that we get to recognize that they will find any possible ways so as to achieve their goals that they are aiming to get example establishing any financial institutions.	
	Income level; the income level can also contribute to the level of saving either high or low example when there is high income levels in a country that implies that even the savings will have increased due to different countries in the country and hence the levels of savings in the economy will be high	

Extract 11.2 A sample of an incorrect response to question 3

In Extract 11.2 the candidate failed to derive investment multiplier, to calculate the change in national income, and he/she partially explained the factors which affect the level of savings in the economy.

2.2.4 Question 4: Public Finance

The question had four parts (a), (b) (c) and (d). In part (a) a table was provided whereby candidates were required to fill the blanks by finding the value of goods when VAT is inclusive and the value of goods when VAT is exclusive. In part (b), candidates were required to provide reasons on why do consumers suffer from a price increase when demand is inelastic but benefit from price reduction when demand is elastic. In part (c), candidates were required to provide reasons why consumers abandon the consumption of the commodity when the demand is perfectly elastic but are forced to continue consuming the commodity when demand is perfectly inelastic. In part (d), candidates were required to justify whether it is true that tax incidence always falls on the consumer. The question tested the candidates' ability in remembering, understanding, applying, and evaluating the taxation concepts.

The question was attempted by 2,149 (13.30%) candidates. Among them, 1,201 (55.89%) scored 0 to 6.5 marks, 549 (25.54%) scored 7 to 11.5 marks, and only 399 (18.57%) scored 12 to 20 out of the 20 allotted marks. Generally, the performance of the candidates in this question was poor since only 44.11 per cent of the candidates scored 7 marks and above. Figure 12 shows the distribution of the candidates' scores in question 4.

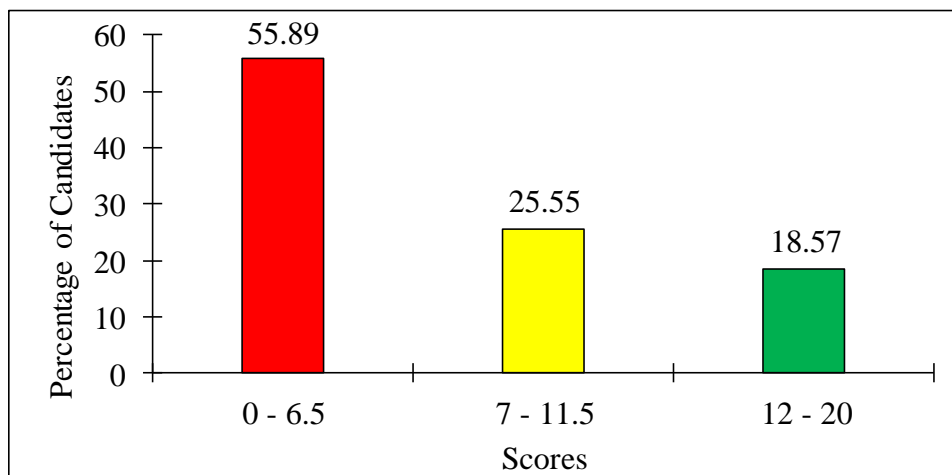


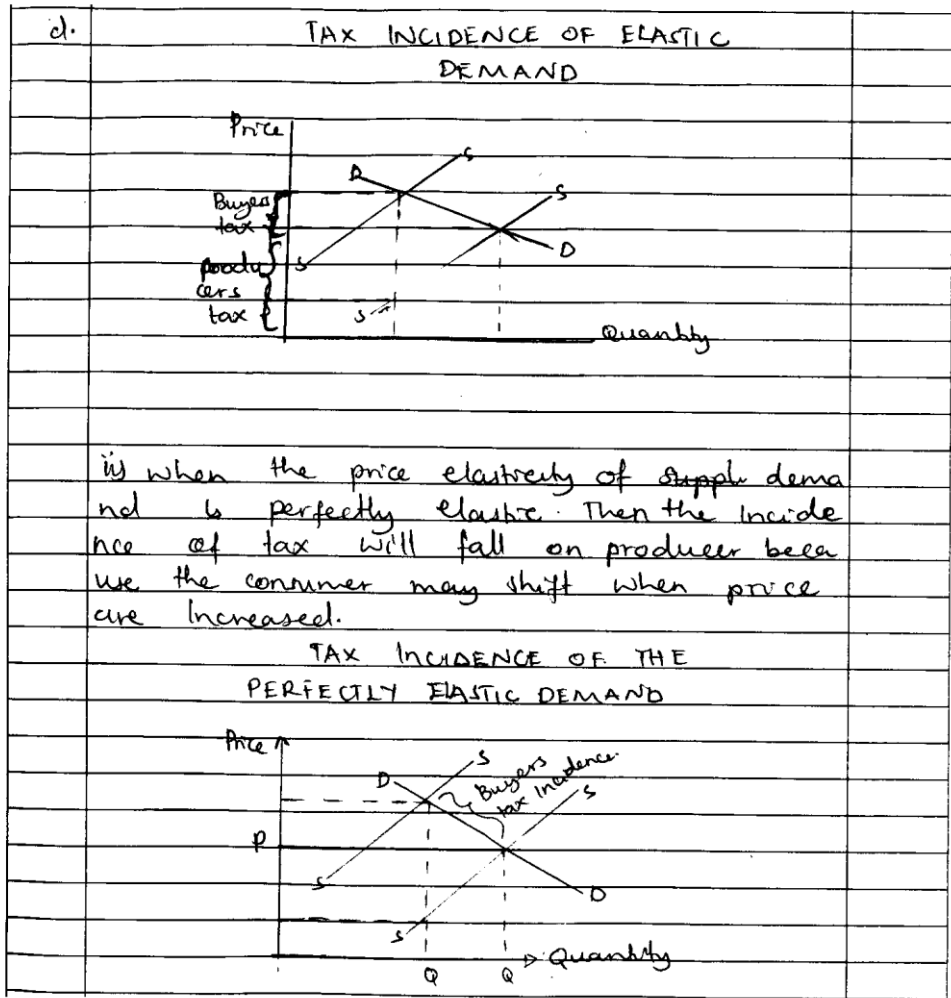
Figure 12: Candidates' Performance on Question 4

A total of 399 (18.57%) candidates had a good performance in this question. They had sufficient knowledge on taxation which enabled them to compute

accurately the value of goods with VAT inclusive and VAT exclusive in part (a). In Parts (b) and (c), the candidates were able to provide clear explanations on the effect of a change in price in relation to a change in demand. In part (d), the candidates who performed well were able to justify whether it is true or not that tax incidence always falls on the consumer. This implies that the candidates understood the question and had adequate knowledge and skills. A sample of the correct responses is shown in Extract 12.1.

Q4	(a)	S/N	Actual value of goods	Percentage VAT tax rate	Value of goods VAT inclusive	Value of goods VAT exclusive
		1	1000	20	1200/=	1000/=
		2	1,200	18	1,416/=	1200/=
		3	1300	16	1,508/=	1300/=
		4	1,400	19	1,666/=	1400/=
		5	1,500	17	1,755/=	1500/=
		6	1,600 2000	19	2,380/=	2000/=
		7	1,700 2300	20	2,760/=	2300/=
		8	2,600	17	3,042/=	2600/=
		9	2,700	18	3,186/=	2700/=
		10	2,900	16	3,364/=	2900/=
$\text{VAT} = \left(\frac{r}{r+100} \right) \times \text{Amount with VAT}$						
$\text{Amount with VAT} = \left(\frac{r}{100} \right) (\text{Amount with VAT exclusive}) + (\text{Amount with VAT exclusive})$						

4	<p>b) When demand is inelastic it implies that the good is a necessity hence the customers cannot stop buying hence suffers from high price and reduction of real income.</p>
	<p>Customers benefit when price is reduced and demand is elastic because they can shift to the good is not a necessity it may be a normal good or a substitute hence can bargain to buy at even lower prices.</p>
	<p>c) Customers may abandon consumption due to presence of substitutes. Hence the product when demand is perfectly inelastic it may have no substitute thus the consumer is forced to keep on buying the same commodity.</p>
	<p>d) tax incidence may not always fall on consumer. It only fall on the consumer when tax demand and supply are inelastic. the following are cases when it fall on producer. (demand and supply are elastic).</p>
	<p>e) when elasticity of demand is price elastic incidence of tax falls on the consumer because he can not increase further price as consumer may shift to a substitute.</p>



Extract 12.1 A sample of a correct response to question 4

In Extract 12.1, the candidate was able to fill the blanks of value of goods when VAT is inclusive and the value of goods when goods have VAT exclusive in part (a). Also managed to give correct answers in parts (b), (c) and (d).

However, 549 (25.55%) candidates had average performance in this question. Most of them managed to answer part (a) and (b) of the question correctly, but failed to answer part (c) and (d) of the question. This implies that candidates had partial knowledge of the subtopic evaluated.

Other 1,201 (55.89%) candidates had weak performance in this question. Most of them failed to fill the gaps of the value of goods when VAT is

inclusive and exclusive. Also failed to give the correct answer in parts (b), (c) and (d). This indicates the candidates in this category lacked sufficient knowledge of taxation. A sample of a poor response is shown in Extract 12.2

4 (a)	SN	Actual value of Goods (TShs)	Percentage vat tax Rate	Value of Goods Vat inclusive	Value of goods Vat exclusive
	1	1000.00	20.00	200.00	200.00
	2	1200.00	18.00	216.00	216.00
	3	1300.00	16.00	208.00	208.00
	4	1400.00	19.00	366.00	366.00
	5	1500.00	17.00	255.00	255.00
	6	2000.00	19.00	380.00	380.00
	7	2300.00	20.00	460.00	460.00
	8	2600.00	17.00	442.00	442.00
	9	2700.00	18.00	486.00	486.00
	10	2900.00	16.00	464.00	464.00
<p>(b) (i) Fluctuation in price to the market High price to the market make high the increase of raw materials to the Consumers to be increased in price.</p> <p>(ii) High transport cost makes the consumers suffer from an increase in price. If the cost is high for transporting of raw materials make or result for suffering and increase in price to the consumers while the transporters benefit.</p> <p>(ii) Higher scarcity of raw materials there is high demand, this needs and make the consumers to suffer from increase in price while the sellers benefit.</p> <p>(iii) High Tax of raw materials makes to become the consumers suffer an increase in price.</p>					

Extract 12.2 A sample of an incorrect response to question 4

In Extract 12.2, the candidate failed to fill the blanks for part (a) and was unable to give correct explanations in parts (b), (c) and (d).

2.2.5 Question 5: Financial Institutions

This question had three parts (a), (b) and (c). In part (a) candidates were given data and required to calculate total credit created when three commercial banks are involved in the process. In part (b), the candidates were required to differentiate commercial bank assets from commercial bank liabilities, while in part (c), they were required to describe briefly five factors which limit the process of credit of creation by commercial banks. This question tested the candidates' ability to apply mathematical skills in solving economic problems and analysing the two concepts of financial institutions.

The question was attempted by 15,655 (96.82%) candidates. Among them, 1,594 (10.18%) scored 0 to 6.5 marks, 4,990 (31.87%) scored 7 to 11.5 marks and 9,071 (57.95%) scored 12 to 20 out of the 20 allotted marks. Generally, the performance of the candidates in this question was good since 89.82 per cent of the candidates scored 7 marks and above. Figure 13 shows the distribution of the candidates' scores in question 5.

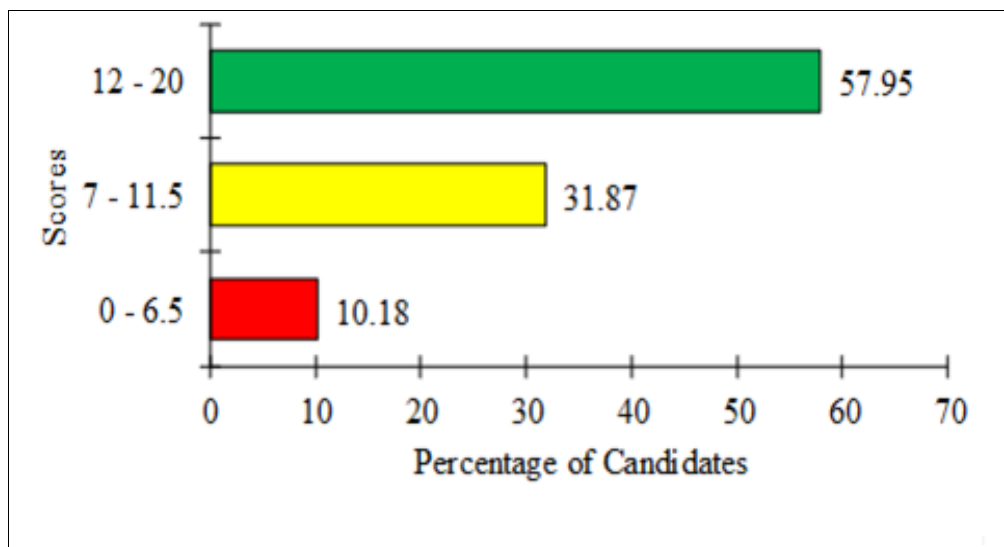


Figure 13: Candidates' Performance on Question 5

A total of 9,071 (57.95%) candidates had good performance in this question. These candidates met the demand of the question which indicate good mastery of the subject matter. For example, some of the candidates precisely calculated the total credit created differentiate well the concepts of assets and liabilities as well as they managed to describe the limitations of credit

creation. This reveals that the candidate had sufficient knowledge of the concept of financial institutions, especially on credit creation by commercial banks. A sample of a correct response is shown in Extract 13.1.

5a	Bank's	Deposit	Reserve	Excess Reserve.
	1 st bank	10000	2000	28000
	2 nd Bank	8000	1600	6400
	3 rd Bank	6400	1280	5120
	TOTAL	24400	4880	19520
$\text{Total Credit created} = 8000 + 6400 + 5120$ $= 19520$				
<p>⑤ Commercial bank assets refer to resources used by the business or commercial bank in order to generate profit example cash, fixtures and buildings.</p> <p style="text-align: center;">WHILE.</p> <p>Commercial bank liabilities refer to obligations owned by the financial institutions such as loan from the central bank.</p>				
<p>⑥ Credit creation refers to the ability of the commercial banks to provide loan in order to increase more credit. There are various factors limiting process of credit creation. The following are the limitations or factors limiting credit creation.</p> <p style="text-align: center;">Lack of collateral security. Among the factors is lack of enough collateral security which can be used as means of exchange for the credit granted in case the borrower lacks ability to repay the loan.</p> <p style="text-align: center;">Low level of saving. Another factor is low level of saving where by when individual don't prefer enough saving they may lead to lack of enough power for the commercial banks to provide loans to individuals in the society due to lack of fund.</p>				

5C	Hoarding of money: Another limitation is hoarding of money which refer to hiding of money by preventing it from being in circulation, hence limits credit creation due to lack of enough money in supply to grant loan. High reserve ratio: Another limitation is high reserve ratio meaning when commercial banks keep high deposits as reserve fund in the central bank it may lead to inability of commercial bank to create credit due lack of enough fund. Low demand for loan and credit. Another factor limiting credit creation is low demand for loan whereby when the number of customers who ask for loan is low the credit created by the commercial banks also be low. Generally credit creation is affected different factors such as demand for loan, excess reserve, reserve ratio and banking habit of customers and collateral security.
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Extract 13.1: A sample of a correct response to question 5

In Extract 13.1, the candidate was able to calculate the total credit created, differentiate the commercial banks assets from commercial banks' liabilities and also, he/she managed to explain the factors which limit the process of credit creation.

Moreover, 4,990 (31.87%) candidates had average performance. They attempted some parts of the question and ignored other parts of the question. For example, they managed to attempt part (b), and partially in part (c), but they failed to calculate the total credit created in part (a) of the question. This indicates that they have poor knowledge on computing total credit creation by commercial banks.

Furthermore, 1,594 (10.18%) candidates had weak performance. Most of them failed to calculate the total credit created, differentiate the commercial banks asset from commercial banks liabilities, but also, they failed to describe the factors that limit the process of credit creation. This indicates that the candidates in this category lacked knowledge of commercial banks

and sub part of credit creation. A sample of an incorrect response is shown in extract 13.2.

S. (1) Given:

Initial deposit 10000-00 Tsh.

Cash ratio 20%.

Let three commercial banks be

BANK A

BANK B

BANK C.

Solution

Banks	Initial deposit	Cash Ratio	New loans
BANK A	10000	20%	9500
	c	20%	
BANK B	9500	20%	9025
		20%	
BANK C.	9025	20%	8573.75
		20%	

Total credit = 10000 + 9500 + 9025
= 28525.

∴ Total credit created = 28525.

or

Total credit = Deposit 1 + Deposit 2 + Deposit 3
= 10000 + 9500 + 9025
= 28525

∴ Total credit created = 28525

b) Commercial banks assets is the international banks involve in providing loans like NMB, NBC and IMF

↳ while

Commercial bank liabilities is the home bank like bgo pesa halo pesa and Mpesa.

5

Commercial banks assets has highest funds for establishment and use it.

↳ while

Commercial bank liabilities has lowest fund for establishment and use it.

Commercial banks it involve in use Nation or Use Macro economy

↳ while

Commercial bank liabilities it use micro economy and within the country

Commercial banks assets it use highest technology and advanced tools

↳ while

Domestic banks it use lowest knowledge with low advanced electronic tools

5 c) Factors which limit the process of credit creation is the following by the Commercial banks:

Poor Capital, Capital for process and creation the Commercial banks is poor that cause the limitation of credit creation.

Poor Science and technology, presence of Science and technology of using the Commercial banks is poor so it create limits in credit creation.

Poor provision of education, about the using of Commercial banks importance are the causes which limits the credit creation.

Lack of Advanced tools, like machine or electricity or electronic machine which help in Commercial banks this can accelerate the limit in credit creation.

Poor transport and communication which help the customer to move and transfer medium for information and to gate aids to the bank.

These are the limitation of credit of credit creation by the Commercial banks.

Extract 13.2: A sample of an incorrect response to question 5

In Extract 13.2, the candidate failed to calculate the total credit created, differentiate banks assets and banks liabilities and he/she failed to describe factors limiting the process of credit creation.

2.2.6 Question 6: International Trade

In this question candidates were given the statement “Domestic and international trade are two sides of the same commercial transactions” whereby candidates were required to analyse the differences between domestic and international trade. This question tested the candidates’ ability to distinguish between domestic trade from international trade.

The question was attempted by 2,711 (16.77%) candidates. Among them, 230 (8.48%) scored 0 to 6.5 marks, 894 (32.98%) scored 7 to 11.5 marks, and 1,587 (58.54%) scored 12 to 20 out of the 20 allotted marks. Generally, the performance of the candidates in this question was good since 91.52 per cent of the candidates scored 7 marks and above. Figure 14 shows the distribution of the candidates’ scores in question 6.

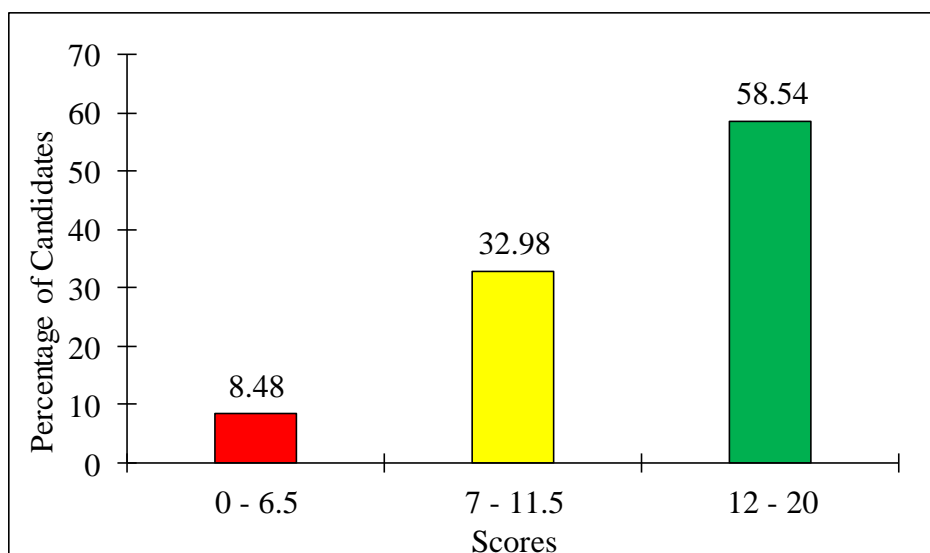


Figure 14: Candidates’ Performance on Question 5

Those 1,587 (58.54%) candidates who had good performance in this question distinguished clearly the domestic and international trade. They met the requirements of the question by providing relevant points and clear explanations. Thus indicates the candidates’ competence in remembering, understanding and analysing international trade concepts. A sample of a correct response is shown in Extract 14.1.

06:	Domestic trade needs small
	<p>Capital While international trade needs high capital to be successful; This is simply because one among the factors which has been used to show the relationship between Domestic trade and international trade is the capital, this means that the domestic trade does not require very high capital since it does not need more and good standardized goods with high quality, but in international trade it needs very high capital since it requires to have very high standardized goods with the high quality also this shows the difference between domestic and international trade</p>
	<p>Skills and Technique Domestic trade require small skills and technique while international trade require very high skills and technique; This is simply because one among factor which has been used to show the difference between the domestic trade and international trade is the level of skill and technique, this is simply because in domestic trade there is no need of high skill but in the international trade there is the need of high skills and technique in order to produce the goods with high quality and quantity in the economy of a country like Somalia.</p>
	<p>Therefore; The Domestic trade and international trade have some of the similarities example or some of the similarities between domestic trade and domestic trade are both deal with exchange of goods and services, both transfer technology, and many others are some of similarities between domestic and international trade.</p>

06:	<p>Domestic Trade: refers to the trade which involves the exchange of goods and services within a country. International trade is the kind of trade which involves two or more than two countries in the exchange of goods and services. These two kinds of trade on both bring to some positive impacts in a country. For example expansion of market, fulfillment of the international relationship especially international trade. The following are the differences between Domestic and international trade.</p> <p>Domestic trade does not require standardized goods while international trade require high standardized goods with high quality; this is simply because the domestic trade does not much need the standardized goods since it is sold within a country but the international trade require to have very high standardized goods simply because the international trade involves the trade between two or more countries which are much characterized with the high degree of competition. Next why international trade require standardized goods with high quality.</p> <p>Domestic trade require only few documents while international trade require many documents; this is simply because in the domestic trade there is no need of many documents simply because the trade is conducted within the country so there is no need of having many documents of your business compared to international trade. This it is required many documents simply because the</p>	
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06	<p>The trade is conducted between two or more countries so a businessman should have a full document about his or her trade especially when made outside the country, also the presence of document has been used to show the difference between domestic and international trade.</p> <p>Domestic trade has few trade barriers while international trade has many barriers; this is simply because the domestic and international trade also they have different forms of barriers. This is simply because the domestic trade have small number of barriers simply because the trade is conducted in a country compared to the international trade in which the trade has been conducted within the two or more than two countries, so the international will simply have many barriers compared to the domestic trade will be with few trade barriers.</p> <p>Domestic trade require the use of domestic currency while international trade require the use of other currency; this is simply because one among the factor which has been used to show the difference between the domestic trade and international trade is the means of currency used. This is simply in domestic trade it comes so possible to use the domestic currency since the trade is conducted within a country but international trade it comes difficult to use the domestic currency they use other countries with their own country also has been shown the difference between domestic and international trade.</p>	
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Extract 14.1: A sample of a correct response to question 6

The other 894 (32.98%) candidates had average performance. These are the ones who attempted the question partially. Some of them explained a few points beyond the required. For example, one candidate explained only three points out the six points which were required.

Additionally, 230 (8.48%) candidates had weak performance. They misunderstood the requirement of the question by explaining the importance

of international trade rather than the differences between domestic trade and international trade. For example, one of the candidates provided wrong points like international trade helps development of trade, employment opportunities and supply of inputs to other sectors. This implies that they did not understand the requirement of the question. Also, they had insufficient knowledge of the differences between domestic and international trade. A sample of an incorrect response is shown in Extract 14.2.

06) Domestic trade, this refers to the type of Trade which deal with the Domestic activities example keeping of animals for the different use in the economy, and International Trade, this refers to the form of Trade where by two countries cooperate with different commodity for the trade. The following are the differences between Domestic trade and International Trades as follow below.

Domestic trade Used for Production of skin for Drum formation but International trade Used for Investment to another countries which are in geographical close manner to participate effectively in the Trade.

Domestic trade Used for Transport but International trade Used for foreign Currency, this shows that Domestic for Transport example animals which is Donkey and other but International trade foreign currency example Money from other country for examples Kenya and Tanzania as shown above.

Domestic trade Used for source of food or Meat but International trade Used as the source of knowledge and New skills in the other country may be in production of Cotton or clothes and others.

Domestic trade Used for Security but International trade Used for Specialized on each other Production in the absolute and Opportunity cost, this shows the difference between Domestic and International Trade.

6	<p>among the another country but make the small cooperation inside the nation while the international trade make the larger cooperation of trade among the country cooperation among them. Example SADC, EAC.</p> <p>Financial assistance, from donor country. The Domestic trade does not provide or assist the donor country, getting the assistance from donor country. Example loans while the international trade getting the financial assistance from the donor country to stabilised their economic. Example loans.</p> <p>Devaluation policy. Domestic trade have the policy out of the international trade but domestic trade made by the country within but international trade policy made by the country within. means the government of specific country but international trade policy made by the country with their cooperation of international trade. example SADC and EAC the cooperation international trade provided by the countries cooperation.</p> <p>Generally the different between Domestic and international trade make the awareness of making the about the trader international or domestic to make a competition.</p>
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Extract 14.2: A sample of an incorrect response to question 6

In Extract 14.2, the candidate incorrectly explained the differences between international trade and domestic trade by providing irrelevant points such as *international trade is used for knowledge and skills, while domestic trade is used for food and meat.*

2.2.7 Question 7: Structure of the Tanzanian Economy

The question required the candidates to evaluate six contributions of small-scale industries in the development of the economy of Tanzania based on the given statement “Industrialization facilitates the process of transforming raw materials into capital and final consumer goods.” This question tested the

candidates' ability to evaluate, i.e. making judgment or justification on the contribution of small-scale industries in the development of the economy in Tanzania.

14,381 (88.94%) candidates attempted the question. Among them, 26 (0.18%) candidates scored 0 to 6.5 marks, 364 (2.53%) scored 7 to 11.5 marks, and 13,991 (97.29%) scored 12 to 20 out of the 20 allotted marks. Generally, the performance of the candidates in this question was good, as 99.82 per cent of the candidates scored 7 marks or above. Figure 15 shows the distribution of the candidates' scores in question 7.

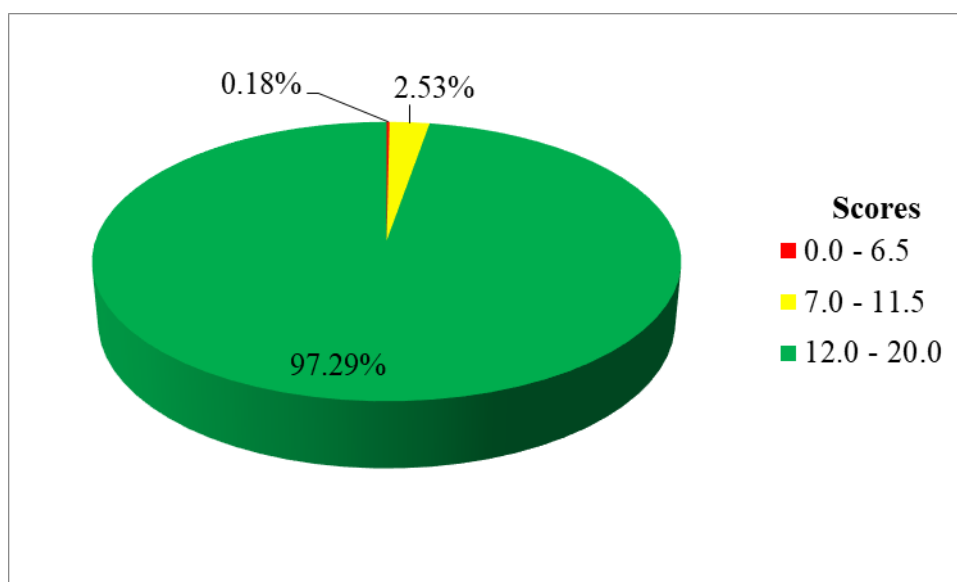


Figure 15: Candidates' Performance on Question 5

The 13,991 (97.29%) candidates with good performance in this question provided the points like; *in the economy there is reduction of the use of foreign currency by producing commodities locally, help to check inflation and encourage invention and innovation of new technology*. This implies that the candidates had sufficient knowledge of the subtopic examined. Extract 15.1 present sample of the correct response.

07 Industrialisation: Is the process of transforming raw materials into capital and final consumer goods. For the country to attain highest level of development they have to develop firstly on the industry (industrialization). Tanzania on the programme of industrialization had tried to improve the small scale industries to attain the industrial development. But due to small scale, contribute to the economic development, the following explain the contribution of the small scale industries in the development of Tanzania economy:-

'Facilitate production' Due to small scale industries the production tends to increase, as the demands of the goods increases, the increase in demand leads to the increase in production, also the small scale create demands of raw-material from agriculture, as they influence farmer to produce raw material, so due to small scale industries the production tends to increase and hence economic growth and development.

'Employment Creation' Due to presence of small scale industries, many employment opportunity are created, as there industrial worker who are being employed both skilled and unskilled ones, also the development of industries demand for raw-materials from the agriculture, as again the farmer must work to produce raw-materials and more labour both skilled and unskilled, this solve the problem of unemployment.

07

Revenue Collection by the government

Due to small scale industries the government can be able to collect the revenue through the tax collection, as the main source of the government revenue is tax, which can be collected on the industries (small scale industries) during production the producer they have to pay tax, the same to the goods produced when they are on the market the seller pay the tax for the government through this small scale industries contribute to the government revenue through tax collection.

It facilitate development of the other sectors. The different sector like agriculture they are dependant with industries. Since the industrial development call for demand of raw-materials, the development of industries influence the farmer to produce raw-material since industries demands for raw-material from agriculture. Through this influence the development of agriculture on the economy.

It may lead to the infrastructure development. For the place where there is industries, the infrastructure must be developed. Since the infrastructure can ensure the transportation of raw-materials from where they produced to the industry also, the transportation of goods from the industry to the place where demanded & markets so through the small scale industry the infrastructure may be developed.

07	<p>It may lead to the economic growth of the Country; The Small Scale industries also contribute to the rise of Gross National product < GNP > hence the increases in economic growth, due to the fact that ' through Small Scale Industries, the more employment may be created which lead to the increases in income and per capital income among people, also export may increase which boost production, the same time, government can collect more revenue through tax from the industries all this contribute to the rise of economic growth and development.</p> <p>Generally, The development of Small Scale Industry had a positive impact for the country and development of the economy. As the government of Tanzania they have to ensure they engaged more on the Industrial development and put much effort on these sector, because they contribute largely to the economic development of the country.</p>
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Extract 15.1: A sample of a correct response to question 7

On the other hand, 364 (2.53%) candidates had average performance in this question. They gave a correct response with insufficient explanation. For example, some of the candidates wrote; *it may stimulate infrastructural development, it may stimulate the development of science and technology, it may help to reduce the dependence ratio, it increases productivity in the villages.* The points provided had no explanation, thus signifies the partial knowledge of the subject matter.

Other 26 (0.18%) candidates had weak performance in this question. Some of them were only presented one or two correct points, with inadequate explanations, while others provided incorrect points with wrong explanations. This may be due to inadequate knowledge of the topic. A sample of an incorrect response provided by the candidate is shown in Extract 15.2.

7-	<p>Poor science and technology used in that production can discourage the production of good example of technology used in small scale industries they are not using a machine and robot for production process. This make the development of small scale industries developed slow due to technique used in industries.</p> <p>The size of the market, this is due to competition of producing the different commodity along the market. This make the size of the market to expand because the firm are not specialised on one commodity or different various of good and service. small scale industries failed to compete because of lack of enough capital.</p> <p>Poor transport and communication along the area of production. This is due to poor infrastructure like road, railway, airport and communication along the area. The firm failed to transport good to different area because of infrastructure example urban-rural area. This discourage the development of small scale industries to developing.</p> <p>Poor political (political stability and instability), if the government are able to formulate the good policy to small scale industries by giving them loan and advice. the advance of small scale-large scale industries can occur hence from period.</p>
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Extract 15.2: A sample of an incorrect response to question 7

In Extract 15.2, the candidate incorrectly explained the contributions of small-scale industries in the development of the economy of Tanzania by explaining the factors limiting the growth of small scale industries in the country.

2.2.8 Question 8: Marketing and Distribution

In this question, the candidates were required to examine factors to be considered when choosing the mode of transport. This question tested the candidates' ability to analyse the factors to be considered when selecting modes of transport.

The question was attempted by 15,252 (94.30%) candidates. Among them, 86 (0.56%) scored 0 to 6.5 marks, 354 (2.32%) scored 7 to 11.5 marks, and 14,812 (97.12%) scored 12 to 20 out of the 20 allotted marks. Generally, the performance of the candidates in this question was good since 99.44 per cent of the candidates scored 7 marks and above. Figure 16 shows the distribution of the candidates' scores in question 8.

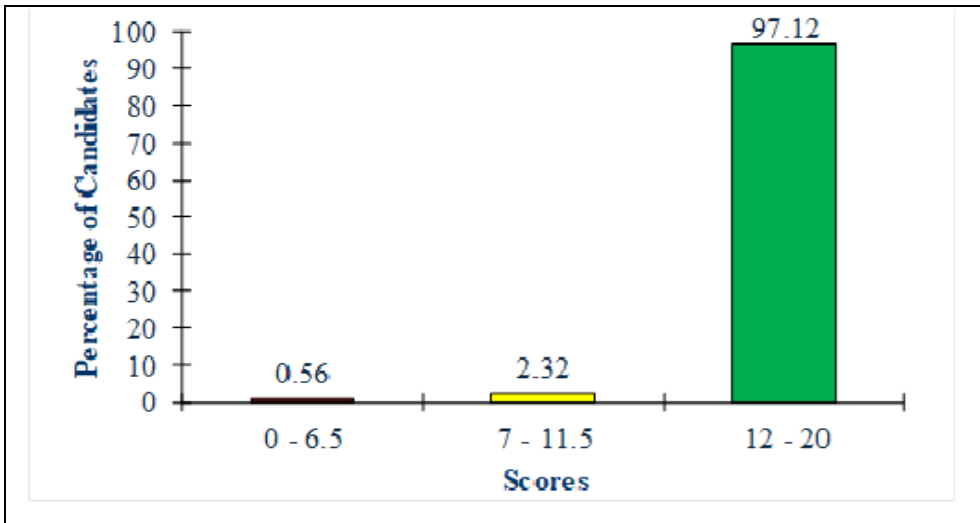


Figure 16: Candidates' Performance on Question 8

A total of 14,812 (97.12%) candidates performed well. These candidates understood the question. They were well equipped with knowledge on the particular subtopic. They provided correct points such as *regularity of the services, parking requirements and insurance risk*. This indicates that they had adequate knowledge on the factors to be considered when selecting modes of transport. A sample of the correct response is shown in Extract 16.1.

08	<p>Mode of transport; This refer to the facilities that can be used to transport people and goods from one place to another place. Mode of transport can be air transport, railway transport, ships transport and car transport, people use various factors when choosing mode of transport.</p> <p>The following below are the factors to be considered when choosing a mode of transport</p> <p>Cost of transportation; cost involved in transportation from one place to another is among of the factors that used during selection of a mode of transport, example many people prefer to use railway transport because it cheap means of transport compared to air transport, thus cost involved in transportation are among of the factors considered when choosing a mode of transport</p> <p>Distance to be covered; Most people prefer to use air transport when they travel a long the high distance like from tanzania to United states of america (USA) while other people use land transport when travelling across a short distance example from one district to another districts, thus distance to be covered is among of the factor considered when choosing mode of transport, the high the distance the air transport used but the short distance the land transport may be used.</p>	
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08	Availability of mode of transport;	
	Also availability of mode of transport is among of the factors used in choosing mode of transport, example when a certain place there is a lot of land transport people will use land transport but when an area there is water (ships) transport used as means of transport people will use it as mode of transport, so availability of mode of transport is among of the factor to be used or considered when choosing mode of transport	
	Nature of commodities to be transported; bulky commodities like cargo will be transported by either air transport or water transport because they have heavy weight, but perishable goods can be transported through air transport to avoid destroying of goods, so when choosing the mode of transport one should consider the nature of goods to be transported from one place to another.	
	Reliability; The mode of transport chosen should reach people at right place at right time. reliability of mode of transport can be used or considered when choosing mode of transport, because the mode of transport should reach at right place and at right time, Therefore reliability is among of the factors to be considered when choosing mode of transport.	

08	Speed and Urgency; Also speed and Urgency is among of the factors to be considered when choosing mode of transport because most of people prefer mode of transport with speed so as to saves time, but also rate of important to the area of transported, example people will be need to reach at certain place faster because he/she is most important so they use air transport and vice versa is true.
	Generally; Transport in Tanzania is actually done through three ways which is land transport, air transport and water transport which play an important role to the development of economy because they promote employment opportunities.

Extract 16.1: A sample of a correct response to question 8

Furthermore, 354 (2.32%) candidates with average performance provided insufficient points. Some of them did not use vivid examples to support their explanations.

However, 86 (0.56%) candidates performed weakly in this question. They faced difficulties in the interpretation of the question. They explained the mode of transport available rather than explaining the factors to be considered when someone is choosing a mode of transport. For example, of the wrong points mentioned by a candidate are the *availability of roads, water and railways availability*. Some of them mentioned the points but provided irrelevant explanations. This implies that they were incompetent in the subtopic of transportation. Extract 16.2 is a sample of the incorrect response to the question 8.

8.	The factors are:
(i) Relief	Gentle slope is considered to be a mode of transport because the physical feature is flat for construction of road and railways.
(ii) Availability of raw material.	Raw materials are considered to be a mode of transport exported.
(iii) For Fluctuation in price	If the raw materials produced are very low in scarcity there is no need of mode transport
(iii) The cost of raw materials transported	When there is high cost in transport of materials there is no need to have mode of transport.

Extract 16.2 A sample of an incorrect response to question 8

In Extract 16. 2, the candidate failed to examine factors to be considered when choosing a mode of transport.

3.0 ANALYSIS OF THE CANDIDATES' PERFORMANCE PER TOPIC

The ACSEE 2025 Economics examination comprised 16 topics. The analysis indicates that 14 topics demonstrated good performance, one had average performance, and one showed weak performance.

The topics with good performance included: *Population* (99.84%), *The structure of Tanzanian Economy* (99.82%), *Marketing and Distribution* (99.44%), *Theory of the firm* (99.40%), *Theory of Money* (98.94%), *Trade cycle* (96.38%), *Subject Matter of Economics* (95.81%), *Theory of Production* (95.26%), *International Trade* (91.52%), *National Income* (90.26%), *Financial institutions* (89.82%), *Theory of Market* (85.57%), *Theories of Demand and Supply* (80.64%), and *Economic Planning* (74.19%) while in the topic of *Public Finance* (44.11%) the candidates had average performance.

The good performance in these topics was attributed to candidates' adequate knowledge of the concepts related to the topics, adherence to instructions and ability to understand the questions asked.

Furthermore, the analysis shows that the candidates had weak performance in the topic of *Economic Growth and Development* (21.58%). This poor performance was attributed to misinterpretation of the question and inadequate knowledge of the candidates. A summary of candidates' performance in the topics tested is provided in the Appendix.

4.0 CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

The general performance of the candidates in the economics subject for the 2025 Advanced Certificate of Secondary Education Examination (ACSEE) was good. The candidates managed to identify the requirements of each question and adhered to the instructions given. In addition, they had detailed knowledge and understanding of the subject matter of each examined topic. However, a few candidates performed poorly as they failed to interpret the requirements of the questions. They also had insufficient knowledge and skills required for each question examined.

4.2 Recommendations

Despite the candidate's good performance in the 2025 examination, there is still a need to make an improvement in the topic of Economic growth and development and Public Finance that seemed to challenge the candidates. Therefore, to improve future performance, the following measures are recommended:

- (a) Teachers should use teaching aid and guide students in group discussions.
- (b) Students should be encouraged to attend study tours so that they learn some of the concepts practically, i.e., they can visit Commercial Banks, Bank of Tanzania, Tanzania Revenue Authority etc.
- (c) Teachers should be encouraged to attend workshops and seminars to update their knowledge and teaching skills.
- (d) Students should read widely by using different sources such as the internet and other facilities like the library to make them learn better.
- (e) Students should be subjected to more interactive learning. This will improve both understanding and critical thinking.

A Summary of the Analysis of the Candidates' Performance per Topic

S/N	Topic	No. of questions	Percentage of candidates who scored the average of 35 or above	Remarks
1	Population	1	99.84	Good
2	The Structure of the Tanzanian Economy	1	99.82	Good
3	Marketing and Distribution	1	99.44	Good
4	Theory of the Firm	1	99.40	Good
5	Theory of Money	1	98.94	Good
6	Trade Cycle	1	96.38	Good
7	Subject Matter of Economics	1	95.81	Good
8	Theory of Production	1	95.26	Good
9	International Trade	1	91.52	Good
10	National Income	1	90.26	Good
11	Financial Institutions	1	89.82	Good
12	Theory of Market	1	85.57	Good
13	Theories of Demand and Supply	1	80.64	Good
14	Economic Planning	1	74.19	Good
15	Public Finance	1	44.11	Average
16	Economic Growth and Development	1	21.58	Weak

