

P220/2

ECONOMICS

Paper 2

Nov./Dec. 2007

3 hours



UGANDA NATIONAL EXAMINATIONS BOARD

Uganda Advanced Certificate of Education

ECONOMICS

Paper 2

3 hours

INSTRUCTIONS TO CANDIDATES:

Answer five questions.

Section A is compulsory. Answers to this section should be concise.

Answer four questions from section B.

All questions in section B carry equal marks.

Credit will be given for use of relevant diagrams.

Any additional question(s) answered will not be marked.

SECTION A: (40 MARKS)

Answer all questions from this section.

1. (a) (i) Calculate the cross elasticity of demand if the price of commodity X falls from Uganda shillings (Ug.sh) 2,000,000 to Ug.Sh.1,600,000 per unit and the quantity demanded of commodity Y increases from 40,000 to 60,000 units.
(ii) State the relationship between commodities X and Y.
- (b) (i) Define the term "occupational mobility of labour".
(ii) Give any three factors that limit occupational mobility of labour in your country.
- (c)(i) Distinguish between injections and leakages in an open economy.
(ii) State any two examples of leakages in your country.
- (d) Give any four factors which influence the rate of savings in your country.
- (e) Mention any four features of the industrial sector in your country.
- (f) (i) Distinguish between managed exchange rate and floating exchange rate.
(ii) State any two advantages of adopting a floating exchange rate in your country.
- (g) (i) Distinguish between a money market and a capital market.
(ii) State two characteristics of money markets in developing countries.
- (h) (i) What is an inflationary gap?
(ii) How can an inflationary gap be closed in an economy?
- (i)(i) Distinguish between partial planning and comprehensive planning.
(ii) State any two constraints to economic development planning in your country.
- (j)(i) State any four effects of balance of payments deficit on an economy.

(k)(i) Distinguish between national income at market price and national income at factor cost.

(ii) Given that the Gross National Income is Shs.275, 000,000 million and Net income from abroad is Shs15, 000,000 million; calculate the Gross Domestic Income.

SECTION B: (60 MARKS)

Answer any three questions from this section.

2. (a) Distinguish between price elasticity of demand and income elasticity of demand.
(b) Explain the factors that influence price elasticity of demand.
3. (a) Distinguish between real income per capita and nominal income per capita.
(b) What are the limitations of using income per capita to compare welfare of people in country overtime?
4. (a) Differentiate between horizontal integration and vertical integration of firms in an industry.
(b) Explain the merits and demerits of integration of firms in an industry.
5. (a) Distinguish between a managed exchange rate and free exchange rate.
(b) Explain factors which determine the exchange rate and in a money market.
6. (a) Given that a micro-finance bank has initial deposits of Shs1, 000,000 and the required cash ratio of 25%.
Calculate the;
(i) Credit multiplier
(ii) Total deposits that will be created in a multi- bank system.
(b) Explain the factors that limit credit creation in an economy.
7. (a) Distinguish between a sectoral plan and a comprehensive plan.
(b) Explain the importance of economic development planning in an economy.
8. (a) Differentiate between a budget surplus and a budget deficit.
(b) Explain the significance of a national budget in an economy.

END.