

P220/2

ECONOMICS

Paper 2

Nov./Dec. 2009

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 parts of this question.***

1. (a) (i) Define the term “income elasticity of demand”.  
(ii) State any three uses of income elasticity of demand in your country.
  
- (b) (i) Distinguish between horizontal and vertical merging of firms.  
(ii) Give any two reasons for the merging of firms in your country.
  
- (c)(i) Differentiate between the investment multiplier and the government multiplier.  
(ii) Given that the Marginal Propensity to Consumer (MPC) in an economy is 0.7 and there is a change in investment of Shs.50 million; calculate the  
-investment multiplier.  
-final change in income in the economy.
  
- (d) (i) Distinguish between economic dependence and economic interdependence.  
(ii) State any two forms of economic dependence in your country.
  
- (e). Mention any four features of the agricultural sector in your country.
  
- (f) (i) Differentiate between disguised unemployment and frictional unemployment.  
(ii) State any two solutions to the problem of disguised unemployment in your country.
  
- (g) (i) Distinguish between a money market and a capital market.  
(ii) State any two functions of capital markets in your country.
  
- (h) (i) Define the term “trade liberalization”.  
(ii) Give any three advantages of trade liberalization in your country.
  
- (i) (i) Distinguish between a sectoral plan and a comprehensive plan.  
(ii) State any two obstacles to the effective implementation of economic development plans in your country.
  
- (j) (i) Differentiate between a progressive tax and regressive tax.  
(ii) Give two reasons for imposing progressive taxes in your country.

**SECTION B: (60 MARKS)**

***Answer any three questions from this section.***

2. (a) Distinguish between capital formation and capital appreciation.  
(b) Explain the factors that determine the level of capital formation in your country.
3. (a) Define the term “economic under-development”.  
(b) Explain the causes of under-development in your country.
- 4.(a) Describe the structure of exports in your country.  
(b) Suggest measures that should be taken to increase export earnings in your country.
5. (a) Explain the methods used by trade unions to obtain wage increases for their members.  
(b) What factors limit the effective operation of the monetary policy in your country?
6. (a) State two objectives of the monetary policy in your country.  
(b) Explain the factors limit the ability of trade unions to raise wages in your country.
- 7.(a) Distinguish between cost push and demand pull in inflation.  
(b) Account for the persistent inflation in your country.
8. (a) Account for the privatization of public enterprises in your country.  
(b) What problems have been encountered in the privatization of public enterprises in your country?

**END**