

P220/1

ECONOMICS

Paper 1

Nov./Dec. 2010

3 hours



UGANDA NATIONAL EXAMINATIONS BOARD

Uganda Advanced Certificate of Education

ECONOMICS

Paper 1

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) What is meant by the term elasticity of demand?
(ii) Mention any three factors which determine the elasticity demand for a commodity.

- (b) (i) Distinguish between lateral integration and conglomerate integration of firms.
(ii) Give any two conditions necessary for the success of lateral integration of firms.

- (c) (i) Differentiate between Average Propensity to consume (APC) and marginal Propensity to Consume (MPC).
(ii) Given that a country's total income is shs 60,000 billion and its total consumption is shs 48,000 billion; calculate its APC.

- (d) (i) Distinguish between import substitution and export promotion strategies of industrial development.
(ii) Mention any two merits of import substitution strategies of industrial development.

- (e) (i) Distinguish between piece rate and time rate methods of wage payment.
(ii) State any two merits of piece rate method of wage payment.

- (f) Mention any four causes of underemployment in an economy.

- (g) (i) Differentiate between cash ratio and reserve ratio.
(ii) Give any two reasons why the reserve ratio may be increased.

- (h) (i) What is meant by dumping in the recipient country.
(ii) State any three effects of dumping in the recipient country.

- (j) (i) Distinguish between suppressed inflation and hyper inflation.
(ii) Give any two effects of hyper inflation in an economy.

- (i)(i) Differentiate between taxable income and taxable capacity.
(ii) Mention any two principles of taxation.

SECTION B: (60 MARKS)

Answer any three questions from this section.

2. (a) Distinguish between maximum and minimum price legislation.
(b) Why may the use of price controls be avoided in an economy?
3. (a) Describe the features of monopolistic competition.
(b) How does the firm under monopolistic competition maximize profit in the;
(i) short run.
(ii) long run?
4. (a) What is meant by the term “economic development strategy”?
(b) Explain the merits of diversification in production as an economic development strategy.
5. (a) Explain the factors that determine the level of wages in an economy.
(b) What are the limitations of the marginal productivity theory of wage determination?
6. (a) Explain the functions of a central bank.
(b) How does a central bank control credit creation in a multi-bank system?
7. (a) Distinguish between partial planning and decentralized planning.
(b) Why is development planning necessary in an economy?
8. (a) What is a “public corporation”?
(b) Assess the role of public corporations in an economy.

END