

P220/1

ECONOMICS

Paper 1

Nov./Dec. 2006

3 hours



UGANDA NATIONAL EXAMINATIONS BOARD

Uganda Advanced Certificate of Education

ECONOMICS

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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)

1. (a) (i) What is meant by price discrimination?
(ii) State three necessary conditions for price discrimination to succeed.

- (b) (i) Define the term marginal propensity to save.
(ii) Given that: the current level of Gross Domestic Product is 300 shillings, the increase in national investment expenditure is 50 million shillings; and the marginal propensity to save is 0.2; calculate the final level of national income.

- (c) Explain the meaning of the following terms;
(i) Marginal Utility of income.
(ii) Marginal rate of substitution.

- (d) (i) What is meant by a development goal?
(ii) Give any three economic development goals in your country.

- (e) (i) Define the term labourforce.
(ii) Mention any three factors which determine the size of the labourforce in an economy.

- (f) (i) What is meant by liquidity preference?
(ii) Mention three factors which determine liquidity preference in an economy.

- (g)(i) Define the term retail price index.
(ii) Give any three uses of price indices.

- (h) (i) Distinguish between deflation and reflation.
(ii) Mention any two instruments of reflationary policy.

- (i)(i) Differentiate between a proportional tax and a progressive tax.
(ii) State any two merits of progressive tax.

- (j) (i) Distinguish between nationalization and privatization.
(ii) Give any two merits of nationalization of enterprises of an economy.

SECTION B: (60 MARKS)

2. Study the schedule below and answer the questions that follow.

	A	B	C	D
Price of maize in Shs/ kg	10	20	30	40
Quantity of maize supplied in kg	50	100	150	200

- (a) (i) Draw a supply curve using the information in the schedule.
(ii) Calculate the price elasticity of supply for the commodity from point A to D.
- (b) Examine the factors that influence the quantity of a commodity supplied in an economy.
3. (a) Distinguish between cost of living and standards of living.
(b) Explain the factors that influence people's standard of living in an economy.
4. (a) What is meant by the term underdevelopment?
(b) Explain the causes of underdevelopment in the Third World countries.
5. (a) How are profits maximized in a perfect competition market in the short run?
(b) Examine the advantages and disadvantages of a perfectly competitive market.
6. (a) Assess the role of taxation in your country.
(b) How can the current taxation system in your country be improved?
7. (a) Differentiate between a surplus budget and a deficit budget.
(b) How does a government finance a deficit budget?
8. (a) Distinguish between a customs union and a common market.
(b) Explain the factors which limit economic integration among developing countries.

END.