

P220/2

ECONOMICS

Paper 2

Nov./Dec. 2006

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)

1. (a) (i) What is meant by factor prices?
(ii) Name three different factor prices in an economy.
- (b) (i) What is meant by stock exchange?
(ii) State any three functions of stock exchange in your country.
- (c) (i) Differentiate between Gross National Product (GNP) and Gross Domestic Product (GDP).
(ii) Given that GDP at market prices is £155 billion and subsidies are £200 billion: Calculate the GDP at factor cost.
- (d) Mention any four features of the informal sector in your country.
- (e) Give any four demerits of economic dependence in your country.
- (f) (i) Differentiate between horizontal and vertical merging of firms.
(ii) State any two reasons for the merging of firms.
- (g) (i) Differentiate between a soft loan and a hard loan.
(ii) State any two reasons for the merging of firms.
- (h) (i) What is meant by a tariff?
(ii) Mention any three non-tariff trade barriers in your country.
- (i) (i) Differentiate between demand – pull inflation and cost – push inflation.
(ii) State any two causes of demand – pull inflation in your country.
- (j) (i) Distinguish between capital gains tax and corporation tax.
(ii) Give any two demerits of corporation tax in your country.

SECTION B: (60 MARKS)

2. (a) How are prices determined in your country?
(b) Account for the price instability of agricultural products in your country.
3. (a) Define the term investment.
(b) Suggest measures that should be taken to increase the level of investment in your country.

4. (a) What are the merits of adopting the export promotion strategy of industrialization?
(b) Explain factors that limit the adoption of this strategy in your country.
5. (a) Distinguish between piece rate and time rate method of wage payment.
(b) Explain the merits and demerits of piece rate method of wage payment.
6. (a) Explain the objectives of the monetary policy in your country.
(b) What factors limit the implementation of the monetary policy in your country?
7. (a) Explain the Keynesian theory of unemployment.
(b) To what extent is this theory relevant to developing countries?
8. (a) Why do countries incur public debts?
(b) Explain the methods used to reduce the burden of public debts in your country.

END