

P220/1

ECONOMICS

Paper 1

Nov./Dec. 2008

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) Distinguish between vertical merging and horizontal merging of firms.  
(ii) Mention any two advantages of horizontal merging of firms.
- (b) (i) State the law of demand and supply.  
(ii) How is the price of a commodity determined in a laissez faire economy?
- (c) (i) Define the term “economic dependence”.  
(ii) Give any three effects of economic dependence in an economy.
- (d) (i) State the “Big-Push” theory of economic growth.  
(ii) Mention any three limitations of the Big-Push theory in developing countries.
- (e) (i) What is meant by the term “capital accumulation”?  
(ii) Mention any three factors that limit capital accumulation in an economy.
- (f) (i) Define the term “agricultural modernization”.  
(ii) Mention any three methods of agriculture modernization.
- (g) (i) State the marginal productivity theory of distribution.  
(ii) Give any three limitations of this theory.
- (h) (i) Distinguish between structural unemployment and seasonal unemployment.  
(ii) Suggest any two measures that should be taken to reduce structural unemployment in an economy.
- (i) Mention any four effects of balance of payments deficit on an economy.
- (j) (i) Differentiate between a national debt and a public debt.  
(ii) Mention any two reasons for incurring a public debt in an economy.

**SECTION B: (60 MARKS)**

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

2. (a) Explain the importance of computing national income in an economy.  
(b) What are the problems faced while computing national income?
3. (a) Distinguish between economic growth and economic development.  
(b) What are the problems faced while computing national income?
- 4.(a) Account for the wage differentials in an economy.  
(b) Examine the merits and demerits of setting a high minimum wage.
5. (a) Describe how price indices are computed in an economy.  
(b) Study the table below and answer the questions that follow.

Commodity	Base year Prices (2005)	Base year indices	Prices (2006)	Weights
P	200	100	150	4
Q	250	100	300	1
R	150	100	240	3
S	400	100	400	5
T	300	100	450	2

Calculate the:

- (i) Price relative for each commodity in 2006.
  - (ii) Weighted index for each commodity.
  - (iii) Simple price index for 2006.
  - (iv) Weighted index for 2006.
6. (a) Distinguish between creeping and galloping inflation.  
(b) Explain the effects of inflation in an economy.
  7. (a) Describe the features of a good economic development plan.  
(b) Account for the failure by developing countries to effectively implement economic development plans.
  8. (a) "Developing countries should privatise Public Enterprises if they are to attain economic growth and development ". Discuss.

**END.**