

P220/2

ECONOMICS

Paper 2

Nov./Dec. 2003

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 the relationship between choice and opportunity cost?  
(ii) Give any two uses of the opportunity cost concept to a producer.
  
- (b)(i) State the law of variable proportions.  
(ii) Give any three assumptions underlying the law of variable proportions.
  
- (c)(i) What is meant by marginal propensity to save?  
(ii) Give that a rise in national income from £5,200 million led to an increase in savings from £400 million to £420 million: calculate the marginal propensity to save.
  
- (d) (i) Distinguish between quasi rent and economic rent.  
(ii) Why are payments to land always considered economic rent?
  
- (e) Mention any four reasons why economic growth may not be accompanied by a corresponding rate of economic development.
  
- (f)(i) Differentiate between piece rate and time rate methods of wage payment.  
(ii) State two advantages of using the time rate method of wage payment.
  
- (g)(i) Explain the Malthusian theory of population.  
(ii) State two limitations of the Malthusian theory of population.
  
- (h)(i) Distinguish between a fixed exchange rate and a managed exchanged rate.  
(ii) Give any two merits of a fixed exchange rate.
  
- (i)(i) What is meant by economic planning?  
(ii) Differentiate between a comprehensive plan and a partial plan.
  
- (j)(i) Differentiate between devaluation of a currency and depreciation of a currency.  
(ii) State any two merits of currency devaluation in an economy.

**SECTION B: (60 MARKS)**

2. (a) Distinguish between price control and price support.  
(b) Examine the merits and demerits of price control in an economy.
3. Study the table below and answer the questions that follow.

Commodity	Base year prices (1990)	Base year simple Index (1990)	Selected year prices 1998	Weight
A	200	100	700	5
B	150	100	500	4
C	500	100	1000	3
D	100	100	300	2
E	700	100	1200	1

- (a) Calculate the
  - (i) Simple price index for each commodity in 1998.
  - (ii) Weighted price index for each commodity in 1998.
  - (iii) Average weighted price index.
- (b) Explain the problems encountered when compiling price indices.
4. (a) Differentiate between import substitution and export promotion strategies of industrialization.  
  
(b) Examine the merits and demerits of the export promotion strategy of industrialization.
5. (a) Account for the rise of monopoly in your country.  
  
(b) Examine the effects of monopoly in your country.
6. (a) Explain the different forms of protectionism.  
(b) What are the implications of protectionism in an economy?
7. (a) Explain the Quantity theory of money.  
(b) What are limitations of the Quantity theory of money?
8. (a) What is meant by economic integration?  
(b) Examine the merits and demerits of economic integration.

**END**