

P220/2

ECONOMICS

Paper 2

Nov./Dec. 2010

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)**

***Answer all parts of this question.***

1. (a) (i) What is meant by the term “labour mobility”?  
(ii) Suggest any three ways of increasing geographical mobility of labour in your country.
  
- (b) (i) What is meant by Marginal Propensity to save (MPS)?  
(ii) Given that initial national income of a country is shs 22 billion and that the MPS is 40%, calculate the final income in that country.
  
- (c) (i) Define the term “subsistence production”.  
(ii) Give any three demerits of a large subsistence sector in your country.
  
- (d) (i) What is meant by the term “tied aid”?  
(ii) Give any three problems of relying on foreign aid in your country.
  
- (e) (i) Define the term “under population”.  
(ii) Mention any three disadvantages of under population in your country.
  
- (f) (i) What is meant by monetary policy?  
(ii) Give any three tools of monetary policy in your country.
  
- (g) (i) Differentiate between balance of trade and terms of trade.  
(ii) Suggest any two ways of improving terms of trade in your country.
  
- (h) (i) What is structural inflation?  
(ii) Give any three causes of structural inflation.
  
- (i)(i) Define the term “economic integration”.  
(ii) State any three merits of economic integration.
  
- (j) (i) What is meant by public debt management?  
(ii) Give any three objectives of public debt management in your country.

**SECTION B: (60 MARKS)**

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

2. (a) Differentiate between internal economies and external economies of scale.  
(b) Account for the continued existence of small -scale firms in your country.
3. (a) Distinguish between balanced growth and unbalanced growth strategies.  
(b) Account for the low-level of economic development in your country.
4. (a) What is meant by the term " agricultural modernization" ?  
(b) Explain the factors limiting agricultural modernization in your country.
5. (a) Differentiate between voluntary unemployment and involuntary unemployment.  
(b) Suggest possible measures of reducing the unemployment problem in your country.
6. (a) How do commercial banks create credit?  
(b) Explain the factors which limit credit creation by commercial banks in your country.
7. (a) What is meant by "vent for surplus theory" as used in international trade?  
(b) Assess the role of international trade in the development of your country.
8. (a) Distinguish between tax evasion and tax avoidance.  
(b) Assess the impact of indirect taxes on the economy of your country.

**END**