

P220/2

ECONOMICS

Paper 2

Nov./Dec. 2005

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) Differentiate between public goods and merit goods.  
    (ii) State any two examples of merit goods in your country.
  
- (b) (i) Distinguish between normal profit and supernormal profit.  
        (ii) Mention any two determinants of profit in your country.
  
- (c)(i) What is meant by foreign direct investment?  
        (ii) Mention any three merits of foreign direct investment in an economy.
  
- (d) (i) Distinguish between nominal income and real income.  
        (ii) Mention any two determinants of real income in your country.
  
- (e) (i) State the “Big push” theory of development.  
        (ii) Mention any three factors that limit the application of the big push theory in your country.
  
- (f) (i) Distinguish between a minimum wage and a living wage.  
        (ii) State any two factors the influence the level of wages in your country.
  
- (g) Mention any four factors that determine the demand and supply of foreign currency in your country.
  
- (h)(i) Differentiate between creeping inflation and galloping inflation.  
        (ii) Mention any two positive effects of creeping inflation in your country.
  
- (i)(i) Distinguish between fiscal policy and monetary policy.  
        (ii) State any two instruments of fiscal policy in your country.
  
- (j)(i) What are public enterprises?  
        (ii) Give any three reasons for the privatization of public enterprises in your country.

### **SECTION B: (60 MARKS)**

2. (a) Distinguish between saving and investment.  
    (b) Explain the factors that have influenced investment in the private sector in your country.

3. (a) Describe the features of the industrial sector in your country.  
(b) What are the problems faced by the industrial sector in your country?
4. (a) Describe the population structure of your country.  
(b) Examine the economic implications of such a population structure.
5. (a) Differentiate between capital intensive and labour intensive techniques of production.  
(b) "Developing countries should mainly adopt labour intensive techniques of production." Discuss.
6. (a) Study the table showing commodity prices for selected items (2000 and 2004) and answer questions that follow.

Commodity	Average price Index 2000 (Ug.Shs.)	Simple Index (2000)	Average Price 2004 (Ug.Shs.)	Weight Index (2004)
A	1000	100	1200	2
B	800	100	1000	4
C	400	100	650	3
D	750	100	900	5
E	1500	100	1800	1

Calculate the;

- (i) Simple index for 2004
- (ii) Weighted index for 2004.

(b) Explain the problems which are faced in the computation of price indices in your country.

7. (a) Differentiate between balance of trade and balance of payments.  
(b) Explain the causes of balance of payments disequilibrium in your country.
- 8.(a) Distinguish between centralized planning and indicative planning.  
(b) Explain the factors that limit the successful implementation of economic development plans in developing countries.

**END**