

P220/2

ECONOMICS

Paper 2

Nov./Dec. 2004

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) Distinguish between income elasticity of demand and price elasticity of demand.  
(ii) State any two uses of the concept of price elasticity of demand in your country.
  
- (b)(i) What is “appropriate technology”?  
(ii) Give any three factors which have affected the development of appropriate technology in your country.
  
- (c)(i) Distinguish between trade diversion and trade creation.  
(ii) Mention two disadvantages of trade diversion.
  
- (d)(i) What is meant by the term “economic dependence”?  
(ii) Suggest any three measures to reduce economic dependence in your country.
  
- (e)(i) Define the term “critical minimum effort” as used in the balanced growth strategy.  
(ii) Give any three factors which limit the operation of the balanced growth strategy.
  
- (f)(i) Distinguish between disguised unemployment and cyclical unemployment.  
(ii) Give any two causes of disguised unemployment in your country.
  
- (g)(i) What are non- bank financial intermediaries?  
(ii) State any two functions of these intermediaries in your country.
  
- (h) Give any features of Uganda’s export sector.  
(i) Given a cash ratio of 0.1% and initial deposits of Shs250, 000; determine  
(i) total credit created  
(ii) credit multiplier.
  
- (j)(i) What is a parastatal organization?  
(ii) Give any three reasons for the poor performance of parastatal organizations in developing countries.

**SECTION B: (60 MARKS)**

2. (a) Examine the role of price mechanism in an economy.  
(b) What are the limitations of the price mechanism in allocating resources?
3. (a) Explain the role of the private sector in the development of your country.  
(b) What are the problems faced by the private sector in your country?
4. (a) Explain the concept of “under-development”.  
(b) Account for the low rate of economic development in your country.
5. “Uganda should adopt an agricultural rather than an industrial development strategy if it’s to attain a faster rate of economic growth”. Discuss.
6. (a) What is meant by collective bargaining?  
(b) To what extent have trade unions in your country achieved their objectives?
7. (a) Differentiate between imported inflation and structural inflation.  
(b) Assess the impact of inflation in your country.
8. (a) Distinguish between a comprehensive plan and a partial plan.  
(b) Examine the role of planning in an economy.

**END**