

P220/1

ECONOMICS

Paper 1

Nov./Dec. 2003

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)

1. (a)(i) Define the term "Opportunity cost".
(ii) State any three circumstances under which the opportunity cost principle can be applied in economics.

- (b) (i) Define the term "Income Elasticity of Demand".
(ii) Given that an individual's income increased from Shs50, 000 to Shs 80,000 per month and this led to an increase in the demand for a commodity by 10%, calculate the income elasticity of demand.

- (c)(i) Distinguish between the break- even point and the shut- down point of a firm.
(ii) State any two reasons why a firm may continue to operate below the break-even point.

- (d)(i) Distinguish between horizontal integration and vertical integration of firms.
(ii) State two advantages of horizontal integration of firms.

- (e)(i) Distinguish between a mixed economy and a dual economy.
(ii) Mention any two features of economic dualism in your country.

- (f)(i) What is meant by the term "collective bargaining"?
(ii) Give any three features of trade unions in developing countries.

- (g)(i) Distinguish between frictional and seasonal unemployment.
(ii) Give any two causes of seasonal unemployment in an economy.

- (h)(i) Differentiate between fiduciary issue and fiat money.
(ii) State Irving Fisher's Quantity Theory of money.

- (i)(i) Define the term "economic development planning".
(ii) Mention any three problems encountered in economic development planning in developing countries.

- (j) Mention any four Structural Adjustment Programmes of the international Monetary Fund (IMF) that your country has implemented.

SECTION B: (60 MARKS)

2. (a) What is meant by the term “Price mechanism”?
(b) Explain the role of price mechanism in the allocation of resources in an economy.
3. (a) How are profits maximized in a perfect competition market in the short-run?
(b) Examine the advantages and disadvantages of a perfectly competitive market.
4. (a) Distinguish between export promotion and import substitution strategies of industrialization.
(b) Explain the merits and demerits of adopting the import substitution strategy.
5. (a) Define the term “optimum population”?
(b) Examination the economic implications of an increasing population in an economy.
6. (a) Differentiate between trade creation and trade diversion.
(b) To what extent is the comparative cost theory applicable to developing countries?
7. (a) Distinguish between inflation and deflation.
(b) Assess the impact of inflation in an economy.
8. (a) Explain the incidence of a tax when supply is elastic and demand is:
 - (i) Inelastic
 - (ii) Perfectly elastic.
(b) What are the advantages of levying indirect taxes?

END