

P220/1

ECONOMICS

Paper 1

Nov./Dec. 2007

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)

Answer all the questions from this section.

1. (a) State any four methods of determining prices of commodities in your country.
- (b) Distinguish between:
 - (i) total costs and marginal costs of a firm.
 - (ii) break- even and shut- down point of a firm.
- (c) (i) State the law of variable proportions.
(ii) Mention any three assumptions underlying this law.
- (d) (i) Distinguish between normal profit and pure profit.
(ii) How is normal profit determined under perfect competition?
- (e) (i) Difference between the multiplier and accelerator theories of investment.
(ii) Given that the marginal propensity to Consume (MPC) is 0.75, calculate the size of the multiplier.
- (f) (i) What is meant by the term “dual economy”?
(ii) Mention any three features of a dual economy.
- (g)(i) What is technology transfer?
(ii) Distinguish between labour-saving and capital -saving techniques of production.
- (h) (i) Define the term “government budget”?
(ii) Mention any three objectives of a government budget.
- (i)(i) What is meant by stagflation?
(ii) Suggest any three measures that can be taken to reduce stagflation in all economy.
- (j) (i) Distinguish between a progressive tax and a proportional tax.
(ii) Give any two advantages of a progressive tax over the proportional tax.

SECTION B: (60 MARKS)

Answer any three questions from this section.

2. (a) Distinguish between a change in demand and a change in quantity demanded.
(b) Explain the factors that cause a change in demand for a commodity.
3. (a) Why is it necessary to measure national income?
(b) Explain the problems encountered when measuring national income.
4. (a) Account for the rise of monopoly in an economy.
(b) Assess the impact of monopoly in an economy.
5. “Developing countries should adopt the import substitution strategy of industrial development if they are to achieve their development goals”. Discuss.
6. (a) Given a cash ratio of 0.2 and the total deposit created is Uganda shillings 200,000,000; calculate the initial deposit that was available to the bank.

(b) Explain the factors that influence the process of credit creation in an economy.
7. (a) What is meant by the term “collective bargaining”?
(b) When are employees justified to demand for wage increases?
8. (a) Differentiate between direct and indirect taxes.
(b) Assess the impact of taxation in an economy.

END