

P220/1
ECONOMICS
Paper 1
3 hours

WAKISSHA

Uganda Advanced Certificate of Education.

ECONOMICS
Paper 1
3 hours

INSTRUCTIONS TO CANDIDATES:

- Answer five questions only.
- Section A is compulsory. Answers to this section should be precise and 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 (20 MARKS)

Answer all parts of this question

1. (a) (i) Differentiate between market clearing price and price mechanism (02marks)

(ii) Give any two methods of price determination in an economy.
(02marks)

(b) (i) Define Marginal Propensity to Save. (01 mark)

(ii) Given that an individual's income increased from Shs. 300,000 to Shs. 450,000 and this led to an increase in savings by Shs. 50,000 Calculate the marginal propensity to save. (03marks)

(iii) What is Absorptive capacity as applied to foreign Aid? (01 mark)

(iv) State any three causes of low absorptive capacity in an economy. (03marks)

(d) (i) Differentiate between under population and optimum population. (02marks)

(ii) Mention any two dangers of a big population size in an economy. (02marks)

(e) (i) What is meant by the term Divestiture? (01 mark)

(ii) Outline any three ways of privatizing public enterprises in an economy.

(03mark

s) SECTION B (80 MARKS)

Answer any four questions from this section.

2. (a) Distinguish between Joint supply and Competitive supply. (04marks) (b) Explain the factors that may lead to a fall in supply of commodities in an economy.

(16marks)

3. (a) Describe the features of an Oligopoly market. (06marks) (b) How is output, price and profit determined under oligopoly markets in the short-run?

(06marks)

(c) Discuss the positive impact of oligopoly in an economy. (08marks)

4. (a) Differentiate between a positive output gap and a negative output gap. (06marks)
(b) Suggest measures that can be used to close;
(i) An inflationary gap. (07marks)
(ii) A deflationary gap. (07marks)
5. (a) What is meant by an economic development strategy? (02marks)
(b) Explain the limitations of export promotion strategy of industrial development. (18marks)
6. (a) Distinguish between public debt and public expenditure. (04marks)
(b) Why do developing countries prefer deficit financing to taxation financing? (16marks)
7. (a) What is the rationale of devaluation of currency in an economy? (06marks)
(b) Under what circumstance may devaluation fail to achieve its objectives in an economy? (14marks)

END