**P220/1**
**ECONOMICS**
**Paper 1**
**Mock examinations 2020**
**3 Hours**

### 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 the use of relevant diagrams.

## SECTION A (20 Marks)

1 a) (i) Distinguish between **reserve price** and **equilibrium price**? (2 marks)
   (ii) Mention two factors that determine the reserve price for a commodity. (2 marks)

b) (i)  Define **dependency ratio**. (1 mark)
   (ii)  Given the working population of a country is 12 million, the young
         Population is 20 million and the elderly population is 4 million. Calculate
         The country's dependency ratio. (3marks)

  c) (i) What is **liquidity preference**? (1mark)
     (ii) State any three factors that influence liquidity preference in developing
          Countries. (3marks)
 d) (i) Differentiate between a **custom Union** and a **common market**. (2marks)
     (ii) Mention two merits of a common market in developing countries. (2 marks)

e) (i) Distinguish between **centralized** and **decentralized planning**. (2marks)
    (ii) Give two demerits of centralized planning. (2marks)

## SECTION B (80 MARKS)

2. (a) How are profits maximized by a firm in Oligopoly in the Short run?    (6 marks)
   (b) Explain the implications of the existence of oligopoly in an economy. (14 marks)

3. (a) Distinguish between real income per capita and nominal income per capita.
                                                                                    (4 marks)
   (b) What are the limitations of using per capita income for comparing the level
       of economic welfare of an economy overtime.                          (16mark)

4. (a) Account for high levels of public debt in developing countries.       (10marks)
   (b)  Explain the measures that should be used for clearing public debt in
        developing   countries.
                                                                            (10 marks)

5. (a) Why should developing countries adopt labour saving techniques of
       production?                                                          (10marks)
    (b) Discuss the limitations of labour saving techniques of production in
        developing countries.                                               (10marks)

6. (a) What are the causes of inflation in developing countries?            (10marks)
    (b) Discuss the effects of hyperinflation in developing countries.      (10 marks)

7. (a) Why do governments establish parastatal organizations?              (10 marks)
    (b) Discuss the problems faced by parastatal organizations in developing
        countries.                                                          (10marks)

## *END*