P220/1

**ECONOMICS**

**PAPER 1**

JULY/AUGUST 2016

3HRS



WESTERN JOINT MOCK EXAMINATIONS

Uganda Advanced Certificate of Education

**ECONOMICS**

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3HOURS

**INSTRUCTIONS TO CANDIDATES:**

* Answer **five** questions
* Section A is **compulsory**. Answers to this section should be concise
* Answer only **four** questions from section B
* All questions in **section B** carry equal marks
* Credit will be given for the use of relevant diagrams
* Any additional question(s) attempted will not be marked

**SECTION A (20MARKS)**

1. (a) (i) Differentiate between reserve price and resale price maintenance **2mks**

(ii) State any two causes of low reserve price **2mks**

(b) (i) Define the term multiplier  **1mk**

(ii) Given that a country’s level of GDP is shs 500million; MPC is 0.75 and change in investment expenditure is shs 200 million. Calculate the final level of income in an economy **3mks**

(c) (i) Differentiate between currency devaluation and currency depreciation **2mks**

(ii) Mention any two positive effects of currency devaluation. **2mks**

(d) (i) Differentiate between partial planning and perspective planning  **2mks**

(ii) Mention any two pre-requisite for a successful planning in an economy **2mks**

(e) (i) Distinguish between inflationary gap and stagflation **2mks**

(ii) State any two policy measures that should be adopted to close an inflationary gap  **2mks**

**SECTION B (80MARKS)**

2. (a) Differentiate between a decrease in demand and a decrease in quantity demanded of a commodity  **4mks**

(b) Explain the factors that make demand for a commodity price inelastic in an economy  **6mks**

3. (a) How does a monopolistic firm determine price, output and profit in the short run **8mks**

(b) Examine the implication of the existence of mono poly in developing countries **12mks**

4. (a) Define the term an inward looking industrial development strategy **2mks**

(b) Explain the merits and demerits of adopting an inward looking development strategy of industrialization **18mks**

5. (a)What is meant by an unbalanced budget **4mks**

(b) Why may the government deliberately plan for an unbalanced budget **16mks**

6. (a) Explain the principle of comparative advantage **4mks**

(b) To what extent is the comparative cost theory applicable to developing countries **16mks**

7. (a) Under what circumstances may workers demand for higher wages **8mks**

(b) What factors limit the ability of trade unions to raise wages in developing countries **12mks**

**END**