**P220/1**

**ECONOMICS**

**Paper 1**

**Jul/Aug 2016**

**3 Hours**



**MUKONO EXAMINATIONS COUNCIL**

**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 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)**

1. a. (i) Distinguish between maximum price and minimum price. ***(02 marks)***

(ii) Mention any two reasons for fixing maximum price in an economy.

***(02 marks)***

b. (i) Distinguish between injections and leakages.  ***(02 marks)***

(ii) Give any two examples of leakages in an open economy. ***(02 marks)***

c. (i) Define the term sectoral dependence.  ***(01 mark)***

(ii) Mention three demerits of sectoral dependence in an economy.(03 marks)

d. (i) State the big push theory of economic growth.  ***(01 mark)***

(ii) Mention three merits of the big push theory in an economy. ***(03marks)***

e. (i) Differentiate between directive planning and centralised planning. ***(02 marks)***

(ii) Give any two limitations of centralised planning in the developing countries.

***(02 marks)***

**SECTION B (80 MARKS)**

*Attempt only* ***four*** *questions from this section*

2. (a) Discuss the **demerits** of relying on the price mechanism in an economy. ***(10 marks)***

(b) Explain the **measures** that can be taken to control the shortcomings of the price

mechanism in an economy.  ***(10 marks)***

3. (a) How does a monopoly firm **maximise profits** in the short run?  ***(06 marks)***

(b) Explain the **implications** of monopoly power in an economy. ***(14 marks)***

4. (a) Study the table below and answer the questions that follow;

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Commodity** | **Base year price (shs) 1998** | **Current year price (shs) 2008** | **Price relative 2008** | **Weight** | **Weighted relative price 2008** |
| **A** | 1600 | 2000 |  | 2 |  |
| **B** | 2000 | 2400 |  | 1 |  |
| **C** | 1200 | 1000 |  | 4 |  |
| **D** | 2400 | 2400 |  | 5 |  |
| **E** | 1000 | 1200 |  | 3 |  |

1. Calculate the relative price. ***(05 marks)***
2. Calculate the simple price index for 2008. ***(02 marks)***

(iii) Calculate the weighted relative price. ***(05 marks)***

(iv) Calculate the weighted price index for 2008. ***(02 marks)***

(b) Explain the **challenges** faced in the process of computing the consumer price index

in developing countries. ***(06 marks)***

5. (a) Explain the **contribution** of the private foreign investment in developing countries.

***(10 marks)***

(b) What are the factors **limiting** the operations of the private foreign investment in

developing countries? ***(10 marks)***

6. (a) Distinguish between **imported inflation** and **structural inflation**. ***(04 marks)***

(b) Assess the **consequences** of inflation in an economy. ***(16 marks)***

7. (a) Explain the various **stages** of economic integration. ***(10 marks)***

(b) What are the likely **benefits** of economic integration to the member countries?

***(10 marks)***

***End -***