**P220/1**

**ECONOMICS**

**Paper 1**

**March 2016**

**21/2 hours**

**REGISTRATION EXAMINATIONS**

**ECONOMICS**

**Paper 1**

**21/2 hours**

**Instructions**

* Answer four questions only
* Section A is compulsory. Answers to this section should be concise.
* Answer three questions from section B.
* All questions in section B carry equal marks.
* Credit will be given for use of relevant diagrams.

**SECTION A (20 MARKS)**

1. (a) (i) Differentiate between inferior goods and complementary goods. (02 marks)

(ii) Give any two examples of complementary goods. (02 marks)

(b)(i) What is meant by price mechanism? (01 mark)

(ii) Give three merits of the price mechanism in an economy. (03 marks)

(c)(i) What is meant by the term Real Gross Domestic Product? (01 mark)

(ii) Given that the nominal Gross Domestic Product is Shs 150,00,000,000 and the consumer price index is 105, calculate the real Gross Domestic Product. (03 marks)

(d) Outline four features of the manufacturing sector in developing countries. (04 marks)

(e)(i) Distinguish between a private enterprise and a public enterprise. (02 marks)

(ii) State two problems faced by private enterprises in a market economy. (02 marks)

**SECTION B (60 MARKS)**

1. (a) Distinguish between minimum price legislation and maximum price legislation. (04 marks)

(b) Account for the existence of price legislation in a market economy. (16 marks)

1. (a) Describe the characteristics of a perfectly competitive market. (08 marks)

(b) How does a firm in a perfectly competitive market determine output, price and profits in the:

(i) short-run (06 marks)

(ii) long-run (06 marks)

1. (a) Distinguish between standard of living and cost of living. (04 marks)

(b) Explain why per capita income is a poor measure of standard of living in an economy. (16 marks)

1. (a) Distinguish between labour supply and labour demand. (04 marks)

(b) Explain the factors influencing labour supply in developing economies.

(16 marks)

1. (a) Describe the features of the public sector in developing economies.

(08 marks)

(b) Explain the role of the public sector in the development of an economy. (12 marks)

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