P220/2

ECONOMICS

Paper 2

March 2016

21/2 hours

REGISTRATION EXAMINATIONS

ECONOMICS

Paper 2

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) Define the term income elasticity of demand. (01 mark)

(ii) Given that an increase in the income of a consumer from Shs 25,000 to Shs 40,000 resulted in a change in demand for a commodity from 780 units to 600 units, calculate the income elasticity of demand. (03 marks)

(b) (i) Define the term oligopoly. (01 mark)

(ii) Mention three measures used by oligopoly firms to increase sales in your country. (03 marks)

(c)(i) Define the term transfer income. (01 mark)

(ii) Give three sources of transfer income in your country. (03 marks)

(d)(i) Distinguish between labour and labour force. (02 marks)

(ii) Give two characteristics of labour force in your country. (02 marks)

(e) State four problems faced by public enterprises in your country. (04 marks)

**SECTION B (60 MARKS)**

1. (a) What are the benefits of relying on the price mechanism in your country? (10 marks)

(b) Explain the measures taken by the government of your country to control the defects of the price mechanism. (10 marks)

1. (a) Distinguish between capital accumulation and capital consumption. (04 marks)

(b) Explain the factors that limit capital accumulation in your country. (16 marks)

1. (a) Why does government compile national income statistics in your country? (06 marks)

(b) What are the problems faced in compiling national income statistics in your country? (14 marks)

1. (a) Describe the structure of agriculture in your country. (10 marks)

(b) What are the demerits of such a structure to the economy of your country? (10 marks)

1. (a) Why have public enterprises been privatised in your country? (10 marks)

(b) Explain the contribution of the private sector to the economic development of your country. (10 marks)

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