



ECONOMICS MARKING GUIDE

P220/2

1. (a) (i) *Derived demand is demand for a commodity due to demand for what it helps to produce OR this is a demand for a factor of production due to the demand for a commodity it helps to produce. (01 mark)*
- While*
- Composite demand is total demand for goods which can be put to more than one purpose. (01 mark)*

(ii) *A commodity being an essential good (absolute necessity)*

- *Substitutes of the commodity being expensive*
- *Improvement in the quality of the commodity*
- *Commodity persuasively advertised*
- *Consumer being a high income earner*
- *Consumer's ignorance*
- *Consumers expectation of further price increase*
- *Commodity being consumed out of addiction*
- *Commodity being a good of ostentation.*

Any 2 x @ 1 mark = 2 marks

(b) (i) *factor prices are those monetary rewards to factors of production for their contribution in the production of goods and services. (01 mark)*

(ii) *Wages / salary for labour*

- *Interest for capital*
- *Profit for entrepreneurship*
- *Rent for land*

NB: *Salary for organization may be considered as a correct answer.*

Any 3 x @ 1 mark = 3 marks

(c) (i) *Appropriate technology is a method of production that is socially and economically suitable for a given society. (01 mark*

(ii)

- *Availability of funds*
- *Level of skills*
- *Level of entrepreneurship skills*
- *Level of conservatism / cultural factors*
- *Level of innovation and inventions*
- *Natural factors*
- *Political climate*
- *Market for the technology and products*
- *Development of infrastructure*
- *Government influence and technological development.*

Any 3 x @ 1 mark = 3 marks

(d) (i) *Commercial policy refers to the deliberate government act of influencing and directing the volume of trade so as to achieve the desired macro economic objectives.*

(ii)

- *To raise government revenue*
- *To protect infant industries against foreign competition*
- *To discourage dumping*
- *To discourage consumption of harmful products*
- *To improve the B.O.P position of the country*
- *To promote self reliance at home / to reduce economic dependence*
- *To promote employment in an economy*
- *To control imported inflation*
- *To minimize political influence from abroad.*

Any 3 x @1 = 3 marks

A living wage is a payment to a worker which is sufficient to provide the basic needs. (01 mark)

While

A real wage is the purchasing power of a money wage (10 marks)

(ii) High direct taxation.

- High rates of inflation / high general price level
- Decline in quality of goods
- Low money wage
- Large subsistence sector.

SECTION B (80 MARKS)

2. (a) The equilibrium output is determined where $MC = MR$. The MC and MR meet in the disjointed gap. At equilibrium, output OQ_e , is produced and sold at administered price OP_e .

Illustration showing how price, profit output levels are determined in the short run under oligopoly

Hint

The MC and AC curves pass through the disjointed part of the MR curve.

- Price is determined at point B where the output line meets AR or kinked demand curve.
- Profits are maximized at a point where $MC = MR$. The firm earn abnormal profits represented by the shaded area CP_eBA_n because $AR > AC$ at equilibrium output OQ_e .
- Output is determined at equilibrium where $MC = MR$ i.e. output OQ_e .

(b)

- Offering of free samples *attracts more interest to the commodity*
- Participating in trade fairs and exhibitions *to know and to be a competitor about the ARW available commodity on the market*
- Provision of after sales service

- Persuasive or aggressive advertisement — influenced to buy the commodity,
- Use of consumer games — Organizing raffle draws
- Offering gifts to buyers
- Sponsoring sports events — Loyalty & awareness of the product.
- Attractive packaging — Easy for consumers to buy
- Provision of credit facilities / installment selling — Thrills & convenience in paying / payments
- Promotion offers using music festivals or shows
- Use of appealing trade names / brand names
- ~~Organizing raffle draws~~
- Use of one stop shopping centres
- Renovation of business premises or selling outlets
- Use of personal selling and employing field sales men. — easy accessibility,

3. (a)

- Limited investment incentives — Unfavourable / Govt policies on investment reduces
- Limited capital — Ltd purchase of input
- Limited skilled labour — inefficiency in prodn.
- Low income levels — low funds
- Poor infrastructure — High cost of production.
- High liquidity preference — reduces the money in circulation.
- Limited entrepreneurial skills / limited entrepreneurship — inability to organize F.O.P.
- High population growth rate — High dependancy hence increasing
- Limited market — reduces sales hence profits reduces.
- High marginal propensity to import — reduces mkt for domestic firms.
- High rate of capital outflow — profit repatriation reduces investment
- High rates of inflation — increases cost of production
- Political instability in some parts of the country — discourages investment
- Low levels of technology or poor state of technology — inefficiency in prodn.
- High rate of corruption or low levels of accountability — High cost of prodn hence
- Poor land tenure system — misusers of funds for personal use
- Increasing or high interest rates on loans
- Conservatism or cultural rigidities
- ~~High subsistence sector~~

Ltd resource exploitation)

- Limited supply of raw materials
- Low marginal efficiency of capital

This means that potential investors expect low returns on investment which discourages investment

(b)

- Encouraging savings
- Labour skills are being improved through training
- Establishing and supporting institutions that promote investment e.g. Uganda investment Authority, Uganda Registration service Bureau et
- Increasing incomes of the people
- Controlling high population growth rates
- Markets are being widened
- Infrastructure is being improved
- Providing investment incentives
- Undertaking entrepreneurial development and training
- Undertaking further liberalization of the economy
- Ensuring political stability in most parts of Uganda
- Undertaking land reforms or reforming the land tenure system
- Ensuring macro – economic stability such as price stability interest or rates stability
- Providing affordable credit to investors
- The economy is being diversified
- Proper accountability is being ensured or corruption is being fought.
- Technological transfer or development is being encouraged.
- Advertising potential for investment in Uganda.

4. (a) *Economic dependence in Uganda is manifested in the following forms;*

- Direct economic dependence. This involves reliance of Uganda on economic and political decisions dictated by other countries or foreign funding bodies.
- External ^{resource} economic dependence. This is where Uganda relies on foreign factor services such as technology, foreign skills (expatriates) and foreign capital from other countries to supplement her local productive resources

Trade

- **The dependence.** This is the reliance of Uganda on other countries to provide market for her export as well as getting imports from specific countries. (involves geographical and commodity concentration of trade)
- **Sectoral dependence.** This is the reliance of Uganda on one major sector or a few sectors for her economic survival.

(b)

Only Negative implications

- It creates balance of payment problems
- It encourages laziness (it discourages local initiatives)
- Low ~~volumes of imports~~ ^{foreign exchange earnings} due to low export earnings
- The economy is subjected to inappropriate and undesirable external decision
- It accelerates capital outflow or it promotes profit repatriation ^{dependence on foreign labour / expatriates}
- It worsens the external debt burden
- It results into fluctuation of prices of agricultural exports
- It causes under utilization of natural resources
- It worsens / causes technological unemployment ^{due to external resource dependence}
- It breeds political domination of Uganda by foreigners ^{brings about}
- It leads to economic domination of Uganda by foreigners
- It leads to social cultural domination / cultural erosion
- It discourages domestic saving and investment.

5.

(a) NB: ^{Past} Present perfect tense.

- Facilitated development of skills and knowledge among people
- Facilitated innovations and inventions since it transforms minds of people. ^{research for better techniques of production}
- Educated people adopt ^{have adopted} better methods of production ^{relating skills & attitude towards dev't}
- Helped in creating employment opportunities in institutions that provide education services.
- Helped in controlling population growth rate i.e. delays the age of marriage among female.
- Helped in reducing conservatism among the people.
- Facilitated easy implementation of government policies by educated citizens

- Reduced government expenditure on hiring expatriates
- Encouraged industrial development
- Facilitated rural transformation
- Created linkages some industries produce goods like chalk, books, textile materials etc used in schools.
- Has provided a source of revenue to government through taxing of workers in education enterprises
- Encourage development of infrastructure
- Accelerated economic growth
- Promoted international relations between Uganda and other countries as it utilizes services of expatriates in her education in her institutions.

(b) Hint. The suggestive tense of can / should / may or use of action words

- Should set up more schools in all regions of Uganda *↑ for enrollment & accessibility*
- Should rehabilitate existing dilapidated school infrastructure, in form of class rooms, libraries, residential premises of staff. *→ creates conducive environment*
- Train and recruit teaching and supporting staff in schools, colleges and public universities *→ more reduction of shortage to teachers*
- Inspection of schools should be improved, to promote efficiency of school administrators and teachers.
- More funds can be allocated to the education sector *→ facilitates the education activities*
- Liberalize investment in the education sector or encourage public - private partnership *→ brings competition in Edn sector hence quality reln*
- Improve accountability by fighting corruption in education institutions *we reduces misuse of funds to develop the schools / Education sector.*
- Improve and maintain political stability
- Gradually increase salaries of teaching staff in government aided schools
- Organize more periodic education sector review workshops. This can help identify challenges in the sector for attention.
- Should continue to promote girl - child education
- Organize training programs of education managers. This can improve efficiency in the management of education institutions

- Provide free teaching and learning materials to government schools.
- Attract funds in form of Aid from donors. This can supplement domestic funds in order to set up more schools as well as provision of scholastic material in those schools.

6. (a)

- Certainty, one whose base, time of payment, amount to be paid etc are known.
- Convenience when and how to pay the tax should be convenient to tax payer
- Economy, the cost of tax administration should be less than the tax yield
- Equity, the burden of tax payment should fall equitably on all tax payers.
- Neutrality or impartiality; should not discriminate among tax payers within the same income bracket
- Simplicity, easily calculated and understood by both the tax officials and tax payers
- Elasticity / flexibility should be altered or changed according to prevailing economic conditions
- Productivity; should be able to encourage effort, initiative and hard work.
- Comprehensiveness or diversity's should have a wider source or base.
- Consistency, should be in line with national economic objectives especially in allocation of resources

(b)

- High levels of tax evasion ✓ *REFUSE*
- High levels of tax avoidance
- A narrow tax base due to a small industrial sector
- Low taxable capacity → *low incomes*
- Limited skilled labour → *Tax adm*
- Poor infrastructure → *Increases cost to adm due to hardness to access*
- (High rates of) corruption or poor accountability → *loss to revenue to govt due to misuse the funds.*
- Conflicting government objectives or policies → *govt loses the revenue it would have collected thru taxation.*
- Political instability in some parts of the country → *politicians are against introduction of new taxes which makes it difficult for tax authorities to collect more tax revenue.*
- Political interference in activities of tax authorities
- Inadequate information/data
- Shortage of equipments.

- Resistance from the public against tax payment
- Difficulties in identifying taxable sources or tax bases
- Frequent changes in employment hence making it hard to follow up tax payers for effective tax assessment and collection

7. (a) Trade protectionist policy refers to the measures employed by the government to restrict or limit the amount of ^{imported goods} imported goods into the country OR government of limiting or restricting trade with other countries.

While

Trade liberalization policy refers to government policy of removing the unnecessary controls on trade, thereby giving people or individuals liberty to carry out trade without (with limited) undue government interference or control e.g. administrative control, total ban, quotas, tariffs to increase the value, volume and benefits of trade

Positive implications

(b)

- Results into increased employment opportunities
- Increases the rate of economic growth or increases GDP ^{for econ activities}
- Promotes resource utilization ^{used old & raw materials}
- Controls structural inflation ^{used output}
- Improves B.O.P position
- Promotes innovations and creativity among firms
- Widens consumer choices ^{variety of goods}
- Encourages foreign investments / capital inflow ^{provides}
- Helps to develop labour skills
- Promotes development of infrastructure
- Promotes development of entrepreneurial skills
- Promotes diversification of the economy
- Source of government revenue
- Encourages high efficiency of the firms
- Promotes industrial development i.e. increased output or linkages

Negative implications

- Results into unemployment
- Consumers ignorance is exploited by the producers or trade (over exploitation)
- Consumer choices for goods and services are distorted *d. for in high pxs.*
- Encourages capital outflow by way of repatriation
- Promotes duplication of economic activities hence wastage of resources or income
- Worsens income inequality in the economy.
- Leads to resource misallocation or limits production of merit goods

Neg. Results into monopoly and its associated evils

- Increases social costs like pollution and environmental degradation
- Worsens the B.O.P position
- Causes price instabilities or leads to high rate of inflation in an economy *d.*

END