

P220/1 Economics

Paper 1

July/August 2023

AF EDUCATORS

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Uganda Advanced Certificate of Education

ECONOMICS

PAPER 1

TIME: 3 HOURS

Senior Economics Teacher: Mr. Otong Alex, +256726414565. (Call for any assistance)

Instructions to candidates:

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

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SECTION A: (20 MARKS)

1. (a) (i) What is meant by **derived demand**? (01 mark)
(ii) State any **three** commodities with derived demand in an economy. (03 marks)
- (b) (i) What is meant by **Marginal Propensity to Save (MPS)**? (01 mark)
(ii) Given that National income of a country is **shs 22 billion** and that the MPS is **40%** calculate the final income in that country. (03 marks)
- (c) (i) What is meant by **under-development**? (01 mark)
(ii) Mention **three** causes of underdevelopment in an economy. (03 marks)
- (d) (i) Define the term **Agricultural modernization** as used in economics. (01 mark)
(ii) Outline **three** limitations to Agricultural modernization in your economy. (03 marks)
- (e) (i) What is **money**? (01 mark)
(ii) Mention any **three** features of good money. (03 marks)

SECTION B (80 MARKS)

2. (a) Giving examples, distinguish between **vertical merging** and **lateral merging** of firms. (04 marks)
(b) Examine the economic factors that make the merging of firms difficult. (08 marks)
(c) Give the demerits of merging of firms in an economy. (08 marks)
3. (a) Explain the causes of income inequality in an economy (10 marks)
(b) What are the demerits of income inequality? (10 marks)
4. (a) Distinguish between **cost push inflation** and **demand-pull inflation** (04 marks)
(b) Explain the effects of inflation in an economy. (16 marks)
5. (a) Distinguish between **piece rate** and **time rate** methods of wage payments. (04 marks)
(b) Explain the merits and demerits of piece rate method of wage payment. (16 marks)
6. (a) Explain the principle of comparative advantage. (04 marks)
(b) Examine the limitations of this principle as a basis for international trade. (16 marks)
7. (a) Why does government set up public enterprises? (10 marks)
(b) Explain the problems faced in privatization of public enterprises in your economy (10 marks)