

P220/1
ECONOMICS
Paper 1
Nov./Dec. 2023
3 hours



UGANDA NATIONAL EXAMINATIONS BOARD

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 any **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)

Answer all parts of this question.

1. (a) Given that the price of commodity A increased from Uganda Shs4000 to Shs6000, the quantity supplied of commodity B consequently increased from 2000 to 5000 units.
 - (i) Calculate the cross-elasticity of supply for the two commodities. (03 marks)
 - (ii) State the relationship between commodities A and B. (01 mark)
- (b) (i) Distinguish between **marginal cost** and **marginal revenue**. (02 marks)
- (ii) Given that the cost of producing 50 cartons of soap is Shs1,000,000 and the cost of producing 60 cartons of soap is Shs1,200,000. Calculate the marginal cost. (02 marks)
- (c) (i) Define **consumer price index**. (01 mark)
- (ii) Mention any **three** objectives of computing price indices in an economy. (03 marks)
- (d) (i) What is **human capital**? (01 mark)
- (ii) Give **three** reasons why education is regarded as a consumer good. (03 marks)
- (e) State any **four** assumptions of the Keynesian theory of unemployment. (04 marks)

SECTION B (80 MARKS)

Answer any four questions from this section.

2. (a) Explain the benefits of relying on the price mechanism in an economy. (10 marks)
- (b) Suggest measures that may be taken to regulate the operation of the price mechanism in an economy. (10 marks)
3. (a) Describe the characteristics of W.W. Rostow's traditional society stage of economic growth. (10 marks)
- (b) Explain the limitations of Rostow's theory of economic growth in a developing economy. (10 marks)

4. (a) Distinguish between **export promotion** and **import substitution** strategies of industrial development. (04 marks)
- (b) Explain the factors that affect the successful implementation of the import substitution strategy of industrial development in developing countries. (16 marks)
5. (a) State the **marginal productivity theory of distribution**. (04 marks)
- (b) To what extent is the marginal productivity theory of distribution relevant in determining wages in an economy? (16 marks)
6. (a) What is meant by the term **bank deposit multiplier**? (04 marks)
- (b) Examine the factors that determine the ability of commercial banks to create credit in an economy. (16 marks)
7. (a) Account for the involvement of government in economic activities in developing countries. (10 marks)
- (b) Why may it be necessary to privatise public enterprises in an economy? (10 marks)