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SECTION A (20 MARKS)

i) Absolute monopoly - market situation in which there is a single seller/ producer of commodity with no substitute.

(1x5)

- ii) — To distribute income equitably.
— To increase output hence economic growth.
— To avoid consumer exploitation through over pricing.
— To provide employment opportunities.
— To increase government revenue.
— To reduce excess capacity, increase resource utilisation.
— To reduce pressure on govt for concessions.
— To improve quality of products.
— To avoid stagnation caused by breakdown of firms.
— To encourage innovation and inventions.
— To promote growth of firm.
— To increase / promote exports.

(3x5x5)

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b) Foreign direct investment — ~~refers to the transfer of productive resources or capital by foreign individuals, companies and multi-national corporations (in form of business operations).~~

OR

The investment in the country by individuals / firms from other countries either by setting up new firms or establishing subsidiary of multi-national corporations.

(link)

- i) — Developing Infrastructure.
— Offering investment incentives.
— Stabilizing the Pol. climate.
— Controlling inflation.
— Improving labour skills.
— Diversifying the economy
— modernising market,
— monetizing the economy
— Privatising Public ~~asset~~ enterprises.
— Improving the land tenure system.
— Establishing institutions to facilitate investment.

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Campaign Publicity on the
benefit of investing in uganda
— liberalizing the economy,
(Bank)

c) Economic development —
refers to the persistent
increase in the quantity and
quality of goods and services
produced in an economy in a
given period of time.
(Bank)

- ii) — To reduce economic dependence
| attain self-sufficiency.
— To reduce income inequality.
— To reduce unemployment.
— To attain high rates
of economic growth.
— To improve skills through
education and training.
— To control population
growth rates.
— To improve the balance
of payment position.
— To control inflation.
— To attain political
stability.
- (Bank)

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d) Liquidity Preference → ~~safep~~ +
the desire by individuals to hold
assets / wealth in cash or near
cash form.

(Incl.)

- i) → low level of transactions.
→ High rate of interest on
deposits.
— low rate of inflation.
— High level of income.
— Low degree of uncertaini-
ty.

- ^{level of} High knowledge of
banking facilities
— High level of develop-
ment of commercial banks and
other financial institutions.
— Low level of Speculation.
— Low level of illiteracy

(3x1mark)

e) Economic liberalisation → refers to the removal of
unnecessary restrictions on
both production (investment)
and trade. (Incl.)

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- ii) — control (structural) inflation
— leads to increased output
hence economic growth
— increased government revenue
— increased employment
opportunities.
— increased quality of goods
— provided a variety of goods
— promoted efficiency of firms,
— facilitates increased
infrastructural development
— improved R.O.P Position
— encouraged foreign I.I.S
— improved relationship
with other countries
— fight corruption
— encouraged innovation
and investment.
— helps to control inflation
— upholds consumer laws
— encourages resource use
— Reduced income and
wealth inequality.
— promoted entrepreneurship
— improved labour skills
— promoted economic
diversification.

(3x1u)

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SECTION B (10 MARKS)

a) PEDD — degree of responsiveness of quantity demanded of a commodity due to the change in the price of a commodity while

(2marks)

YEDD — Degree of responsiveness of quantity demanded of a commodity due to the change in the income of the consumer

(2marks)

- b) — Availability of Commodity that have got few Substitutes
- High degree of necessity
 - Habit in use of the commodity,
 - High level of Consumer income.
 - Small proportion of the consumer's income spent on the commodity.
 - Few number of uses to which the commodity can be put.
 - Durability of the commodity.

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- High level of advertisement
- Low possibility of Postponed use of the commodity.
- Face is outstanding drawback of the commodity.
- Short run period.

(Ex 2mks)

- 3a) — Provided a variety of goods
- Increased resource use
 - Controls inflation
 - Increased government revenue.
 - Increased employment opportunities.
 - facilitates development of infrastructure
 - Improved labour skills
 - Increased entrepreneurship.
- Shop.
- Promoted technological development
 - monetized the economy.
 - improved R&D
 - Reduced income inequality.

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- Promoted Industrialization
- Reduced dependence on imports
- Increased Per capita income
- Breaks conservatism.

(to think)

- b) — Develop infrastructure,
- Provide investment incentives.
 - Improve entrepreneurial ability.
 - Expand market.
 - fight corruption,
 - Provide affordable credit for investment.
 - Improve pol. climate
 - liberalize the economy
 - Improve land tenure system
 - undertake Privatisation
 - control inflation
 - encourage saving
 - fight conservatism
 - Improve labour skills
 - Diversify the economy
 - increase resource use
 - modernise the economy
 - establish institutions

4(a)

Positive effects.

- They are time saving.
- Increase labour efficiency.
- Lead to production of Standardised s/p.
- Reduce labour wage/strike.
- Minimize the size of the wage bill.
- Lead to production of high quality goods.
- encourage handling of lot.
- facilitate maximum utilization of resources.
- facilitate technology transfer.
- lead to small products which economics growth.
- facilitate infrastructure development.

6x1mark

Negative effects.

- lead to wastage because of male production.
- Worse income Inequality.
- lead to high Social cost.
- cause S.O.P. Problem.
- ~~Caused project repatriation~~

fertilizer mills at the coast of E. Africa.

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- require complex skills that are not readily available somewhere
- Cause unemployment
- lead to overutilisation of natural resources.
- Inapplicable in certain areas where human judgement is needed e.g. coffee picking and tea harvesting.
- Increase external dependence
- Expensive

— Shortage of Rule (by book)
— corruption.

- b) — Limited capital
- shortage of skilled labour
 - Small market,
 - Inappropriate where human judgement is used.
 - Poor Infrastructure
 - Conservatism.
 - Political Instability
 - firms are predominantly small scale

- (book)
- limited entrepreneurship
 - poor land tenure system
 - poor topography.
 - low prices of final products
 - raw material imports

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- 5a) → Rising costs of raw material
→ Rising costs of fuel
— Depreciation of the local currency.
— Breakdown of infrastructure.
— Rising wages rates
— Rising cost of borrowed or holding interest rates on loans
→ Rising costs of Power & energy.
— Increase in taxes
— Increase in the cost of advertising.
→ Rising costs of fuel

(6x1mk)

- b) — To maintain People's confidence in the currency
— To encourage People to save
— To improve the B.O.P. Position
— To control unemployment
— To control income inequalities
— To ease planning in the economy.

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- To control capital flight
- To control balance of trade
- To avoid starvation and misery of people
- To avoid losing political popularity.
- To encourage lending
- To encourage high levels of production in the economy.
- To protect fixed income earners
- To avoid occurrence of strikes.

(Exempted)

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- I
- (b) — low volume of exports
— exportation of low quality products.
— Trade restrictions with export markets.
— High marginal prop to import
— Importation of high Priced products.
— Political instability or high expenditure on the import of military hardware.
— Exportation of main primary products.
— High expenditure on debt servicing
— High government expenditure on travel abroad by government officials, returning the diplomatic mission etc
— Weak bargaining power of Producers in Uganda
— High level of profit repatriation.
— Limited markets for Ugandan exports / market of soiling
— Transport cost of the products + the coast

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— Poor exchange rate.

(Loxlink)

b) Establish import Substitution Industrialization.

- Impose trade restrictions
- Create a peaceful and stable political climate
- encourage diversification of exports

— encourage diversification of export markets

- appeal for debt relief

— liberalize the economy

— Allow depreciation of the local currency

— Strengthen commodity agreements

— Increase volume of exports

— encourage manpower development through train local labour

— Improve quality of exports

— Restructure foreign mission and reduce foreign travel

— Promote saving movement

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a) Diversification

- Partial sales
- Mortgaging
- Consignment
- Demutualisation
- Joint venture

b) Link

b)

Positive consequences

- Increasing output hence economic growth
- Increased government revenues
- wider consumer choice
- reduced expenditure by the government on the enterprise.
- Reduced dependence on imports
- Reduced corruption in the enterprise.
- Increased quality of output
- Increased investment by foreigners, inward investments

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- Improved relations between my country and the International Community especially doest.
- Increased job creation in the enterprise (in the LIR)
- Reduced bureaucratic tendencies.
- Improved efficiency in resource allocation.
- Increased resource utilization.

(8x1mark)

Negative Consequences

- Increased consumer exploitation.
- Caused unemployment.
- Increased foreign control of the economy.
- Reduced provision of essential services.
- worsened income inequality.
- Increased price fluctuations.
- caused capital outflow through profit repatriation.
- Losses are incurred due to undervaluation and high costs of the process.

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- Inefficient exploitation of resources.
- Representation of Government
- Wasteful Competition and duplication of economic activities.

(8x1mark)