MASAKA DIOCESAN EXAMINATIONS BOARD
Uganda Advanced Certificate of Education
Joint Mock Examinations 2023
ECONOMICS
Paper 1
3 hours

INSTRUCTIONS TO CANDIDATES:

Answer **Five** Questions in **All**

Section A is **compulsory**. Answers to this Section should be concise and precise

Answer any **four** questions from Section **B**.

Credit will be given for the use of relevant illustrations and diagrams.

SECTION A: *(20 Marks)*

*Answer **all** parts of this question*

1. (a) (i) Distinguish between merit goods and demerit goods. (02 Marks)

   (ii) Give any two examples of demerit goods. (02 Marks)

   (b) (i) What is meant by the term "price discrimination"? (01 Mark)

   (ii) Give any three conditions necessary for the success of price discrimination. (03 Marks)

   (c) (i) Define the term "Tied aid" (01 Mark)

   (ii) Give any three challenges of relying on foreign aid in developing countries. (03 Marks)

   (d) (i) Differentiate between creeping inflation and galloping inflation. (02 marks)

   (ii) Mention any two positive effects of creeping inflation in an economy. (02 marks)

   (e) On 1st January 2023, you sold water tanks that cost shs 25,000,000 to Atim Prossy at shs 30,000,000. All the transactions were VAT inclusive. Using the VAT rate of 18 %, Calculate VAT liability. (04 Marks)

SECTION B: *(80 Marks)*
*Answer any **four** questions from this section*

2. (a) Distinguish between **price ceiling** and **price floor**. (04 Marks)

   (b) Examine the effects of price floor in an economy. (16 Marks)

3. Study the table below and answer the questions that follow

Commodity	Base year prices 2021	Base year Simple index	Current year prices 2022	Weight
A	1600	100	1800	4
B	800	100	1200	3
C	1500	100	2100	2
D	1200	100	1500	1

(a) Calculate the;
    (i) Simple price index (03 marks)
    (ii) Average price index (02 marks)
    (iii) Weighted price index (03 marks)

(b) Explain the challenges encountered in computing cost of living indices. (12 Marks)

4. (a) Explain the role of agriculture in the development of an economy. (10 marks)

   (b) What measures can be taken to improve the agricultural sector in developing economies? (10 marks)

5. (a) Explain the causes of unemployment in an economy. (10 Marks)

   (b) Explain the effects of unemployment in an economy. (10 Marks)

6. Given that a commercial bank has initial deposit of shs 100,000,000 and the required cash ratio of 25 %.Calculate the;

    (i) credit multiplier. (02 marks)
    (ii) total deposits that will be created in a multi-bank system. (02 marks)

   (b) Explain the factors limit effective implementation of credit creation in an economy. (16 marks)

7. (a) Differentiate between nationalization and privatization of public enterprises (04 marks)

   (b) Assess the implications of privatization of public enterprises in an economy (16 marks)

END

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