

**P220/1**  
**ECONOMICS**  
**Paper 1**  
**Oct/Nov 2023**  
**3 hours**

**Uganda Advanced Certificate of Education**

**UACE**

**ECONOMICS**

**Paper 1**

**3 hours**

**INSTRUCTIONS TO CANDIDATES:**

*Attempt **five** (5) questions only.*

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

*Answer **four** (4) questions from section **B**.*

*All questions in section **B** carry **equal** marks.*

*Any additional question(s) attempted will **not** be marked.*

*Credit will be given for use of relevant diagrams.*

**Turn Over**

## SECTION A: (20 marks)

*Answer all parts of this question.*

1. (a) (i) Define the term “**Industrial inertia**”. (01 mark)  
(ii) Give any **three** benefits of **industrial inertia**. (03 marks)
- (b) (i) State the **law of variable proportions**. (01 mark)  
(ii) State any **three assumptions** underlying this law. (03 marks)
- (c) (i) Distinguish between **injections** and **leakages** in an economy. (02 marks)  
(ii) Mention any **two** examples of **injections** in a four sector model economy. (02 marks)
- (d) (i) Distinguish between **tax evasion** and **tax exemption**. (02 marks)  
(ii) State any **two disadvantages of a tax** evasion in an economy. (02 marks)
- (e) (i) Differentiate between a **subsistence wage** and a **living wage**. (02 marks)  
(ii) Mention any **two determinants of wages** in an economy. (02 marks)

## SECTION B: (80 marks)

*Answer any **four** questions from this section.*

2. With use of illustrations, explain the applicability of the concept of price elasticity of demand to incidence of a tax. (20 marks)
  
3. (a) Explain how the **cost of living index is computed** in an economy. (08 marks)  
(b) What **difficulties** are **faced in the computation of the cost of living** index? (12 marks)
  
4. (a) Why is there **need to promote the private sector** in developing countries? (10 marks)  
(b) Suggest possible policies that can be **adopted to promote the private sector** in developing countries. (10 marks)
  
5. (a) Given that the quantity of money in an economy is shs 3,000,000, its velocity of circulation is 10 and the number of transactions made are 600. Calculate the **general price level** in the economy. (04 marks)  
(b) What are the limitations of **Irving fishers' quantity theory of money** in explaining price changes in an economy? (16 marks)
  
6. (a) Differentiate between **Imported inflation** and **Structural inflation**. (04 marks)  
(b) Explain how inflation can be **controlled** in an economy. (16 marks)
  
7. (a) Distinguish between;  
(i) **Trade diversion** and **Trade creation**. (02 marks)  
(ii) **Customs union** and **Preferential trade area**. (02 marks)  
(b) Explain the **barriers to effective regional economic integration** among developing countries. (16 marks)

**END**