

UGANDA NATIONAL EXAMINATIONS BOARD
UGANDA ADVANCED CERTIFICATE OF EDUCATION
NOVEMBER - DECEMBER, 2022

Page 2 of 16

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Signature

Subject Paper code/.....

Random No.

Personal Number

SECTION A (20 MARKS)

i) Price elasticity of demand is the degree of responsiveness of quantity demanded of a commodity to changes in the price of the commodity. 01mk.

while;

Cross elasticity of demand refers to the degree of responsiveness of quantity demanded of a commodity to changes in the price of a related or another good. 01mk.

ii) Causes of price inelastic demand in Uganda.

- commodity being highly advertised.
- consumers income being low.
- No or few substitutes of a commodity.
- commodity having one or few uses.
- commodity being habit forming / addicted.
- commodity being conveniently accessible.
- commodity being perishable.
- commodity being a necessity.
- low proportion of income spent on a good.
- consumption of a commodity which cannot be postponed.
- short run situations.

(Any 2x1 = 2mks)



UGANDA NATIONAL EXAMINATIONS BOARD
UGANDA ADVANCED CERTIFICATE OF EDUCATION
NOVEMBER - DECEMBER, 2022

Page 3 of 16

UACE

Do not
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Candidate's Name

Signature

Subject Paper code/.....

Random No.

Personal Number

b) Economic dualism refers to the co-existence of two contrasting economic situations one superior and desirable but the other inferior and undesirable. (1mk)

ii) Forms of Economic dualism.

- Technological dualism.
- Sectoral dualism.
- Labour dualism.
- exchange dualism
- Income dualism
- Regional dualism
- production dualism
- literacy dualism.

(Any 3x1 = 3mks)

c) Under population refers to a population size that supplies inadequate labour force relative to the existing co-operant factors leading to low average product per capita. (01mk)

while

Optimum population refers to an ideal population size that supplies sufficient labour force relative to the available co-operant factors leading to the highest possible average product per capita.

(01mk)



UGANDA NATIONAL EXAMINATIONS BOARD
UGANDA ADVANCED CERTIFICATE OF EDUCATION
NOVEMBER - DECEMBER, 2022

Page 4 of 16

UACE

Do not
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Candidate's Name

Signature

Subject Paper code/.....

Random No.

Personal Number

b) ii) Features of population in Uganda.

- Dominated by the young.
- population is mainly rural based.
- mainly unskilled and semi-skilled.
- productive force of the population is mainly engaged in primary production.
- population growth rate is high.
- uneven spatial distribution.
- High level of illiteracy.
- Females are more than males in the population.
- A big proportion lives below the international poverty line.

2x1 = 2mks.

d) Non banking financial intermediaries are financial institutions that receive deposits, give out loans but do not create credit. (01mk)

Examples include;

- development banks

- post bank

- Investment bank

- Building societies.

- co-operative banks

- Insurance companies

- Saving and credit societies (Any 1a1 = 1mk)



UGANDA NATIONAL EXAMINATIONS BOARD
UGANDA ADVANCED CERTIFICATE OF EDUCATION
NOVEMBER - DECEMBER, 2022

Page 5 of 16

UACE

Do not
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in this
margin

Do not
write
in this
margin

Candidate's Name

Signature

Subject Paper code/.....

Random No.

Personal Number

dii) Roles of non banking financial intermediaries.

- promote savings
- encourage investment.
- provide employment opportunities.
- Develop labour skills.
- contribute revenue to government.
- promote entrepreneurship
- Encourage production of increased output hence economic growth.
- monetise the economy. (Any 2x1 = 2mks)

eij) comprehensive planning - is one that covers all sectors of the economy or the whole economy. (1mk)
while

perspective planning - is long term planning covering a period of ten (10) and more years. (1mk)

ii) Objectives of comprehensive planning.

- For proper utilisation of scarce resources.
- To correct the defects of the price mechanism.
- To identify areas suitable for private and public investment.
- For harmonious and consistence use of resources.
- To reduce income inequality.
- To resernt present activities to future trends.
- For resource mobilisation
- To increase output hence economic growth.

UGANDA NATIONAL EXAMINATIONS BOARD
UGANDA ADVANCED CERTIFICATE OF EDUCATION
NOVEMBER - DECEMBER, 2022

Page 6 of 16

UACE

Do not
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Do not
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Candidate's Name

Signature

Subject Paper code/.....

Random No.

Personal Number

- To solicit for foreign aid.
- To encourage public participation in the development process.
- To create sectoral linkages.
- To reduce external dependence.
- To promote balanced regional development.
- To increase government revenue.

(Any 2x1 = 2mks)

SECTION B (80mks)

2a) Causes of fluctuations in the prices of Agricultural products.

- Bulkness of the products.
- Perishability of the products.
- Agricultural products having long gestation period.
- low price elasticity of demand for the products.
- The products are income inelastic in demand.
- prices of the products are (externally) determined by buyers.
- Weak commodity agreements.
- changes in the cost of inputs.
- Difficulty in co-ordinating production plans due to many producers / producers base their current year production plans on previous years' prices.
- Substitution of agricultural products with synthetic products.

UGANDA NATIONAL EXAMINATIONS BOARD
UGANDA ADVANCED CERTIFICATE OF EDUCATION
NOVEMBER - DECEMBER, 2022

Page 7 of 16

UACE

Do not
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Do not
write
in this
margin

Candidate's Name

Signature

Subject Paper code/.....

Random No.

Personal Number

- poor surplus disposal system.
- Divergence between planned output and actual output.
- The products are dependent on natural factors for production.

(Any $5 \times 2 = 10$ mks)

b) Effects of fluctuations in prices of agricultural ppts.

- Results into unstable Terms of trade.
- Results into fluctuations in the Balance of payment position.
- Leads to fluctuations in incomes.
- Leads to fluctuations in government revenue.
- Results into Rural urban migration and its evils.
- Leads to unstable foreign exchange rates.
- Leads to uncertainty.
- worsens income inequality.
- Leads to fluctuations in the foreign exchange earnings.
- planning based on expected earnings is made difficult.
- Leads to a decrease in production and output of agricultural products.
- modernisation of the agricultural sector becoming difficult.
- Leads to ...

UGANDA NATIONAL EXAMINATIONS BOARD
UGANDA ADVANCED CERTIFICATE OF EDUCATION
NOVEMBER - DECEMBER, 2022

Page 8 of 16

UACE

Do not
write
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margin

Candidate's Name

Signature

Subject Paper code/.....

Random No.

Personal Number

3a) Contribution of the Industrial sector.

- Increases labour skills.
- increases output hence economic growth.
- provides revenue to the government.
- Encourages development of entrepreneurship
- utilises natural resources.
- Reduces dependence on imports.
- Improves Balance of payment position.
- promotes Sectoral linkages.
- promotes inflow of foreign capital
- provides better quality products.
- Reduces the rate of inflation.
- promotes development of infrastructure.
- Diversifies the economy.
- provides ~~the~~ a variety of goods.

(Any 10x1 = 10mks)

b) Factors Limiting the development of Industrial Sector.

- Limited capital
- Limited labour skills
- Limited market
- High taxation
- Shortage of raw materials.
- low level of entrepreneurship skills
- poor land tenure system
- poor infrastructure

UGANDA NATIONAL EXAMINATIONS BOARD
UGANDA ADVANCED CERTIFICATE OF EDUCATION
NOVEMBER - DECEMBER, 2022

Page 9 of 16

UACE

Do not
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Candidate's Name

Signature

Subject Paper code/.....

Random No.					
Personal Number					

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- High rates of corruption
- low level of technology
- High rates of inflation
- Dominance of the agricultural sector which is the main source of Raw materials to agro based industries.
- under developed capital markets.

Any 10x1 = 10mks.

4a) Foreign aid - This is the international transfer of resources in form of loans or grants or technical assistance either directly from one government to another (Bilateral assistance) or indirectly through the ~~vehicle~~ multilateral assistance agency like the world bank and the International monetary fund.

OR

(04mks)

Foreign aid is the transfer of resources mainly funds from one country to another in order to help the recipient country.

b) Positive effects of foreign aid.

- ~~fills~~ Fills the savings investment gap.
- Fills the technological gap.
- Fills the foreign exchange gap.
- Fills the skilled manpower gap.
- Fills the government revenue expenditure gap.
- Increases economic growth rate.
- creates employment opportunities.
- facilitates

UGANDA NATIONAL EXAMINATIONS BOARD
UGANDA ADVANCED CERTIFICATE OF EDUCATION
NOVEMBER - DECEMBER, 2022

Page 10 of 16

UACE

Do not
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Candidate's Name

Signature

Subject Paper code/.....

Random No.

Personal Number

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- Alleviates negative effects of catastrophes.
- Increases skills of labour
- Increases utilisation of local resources.
- Strengthens friendship between countries.
- Accelerates industrial development
- promotes political stability.

(Any 8x1 = 8mks)

Negative effects:

- Aid in form of dead weight debts is a burden to the future generation.
- promotes laziness / increases economic dependence.
- Hinders growth of some consumer goods industries / Leads to reduced domestic production of some goods.
- Makes planning difficult.
- Leads to unemployment
- Leads to cultural erosion
- undermines political sovereignty due to political strings attached to aid.
- Sometimes the pre conditions set are a disadvantage.
- Leads to brain drain.
- Leads to economic domination of a country by foreigners.
- Worsens the balance of payment problem
- Denies nationals essential goods and services

UGANDA NATIONAL EXAMINATIONS BOARD
UGANDA ADVANCED CERTIFICATE OF EDUCATION
NOVEMBER - DECEMBER, 2022

Page 11 of 16

UACE

Do not
write
in this
margin

Candidate's Name

Signature

Subject Paper code/.....

Random No.					
Personal Number					

- undermines capital formation due to debt servicing and repayment obligations.
 - Some times it is tied to unproductive projects.
 - It is costly (due to being tied to source or purpose)
 - It leads to under utilisation of domestic resources.
 - leads to income and profit repatriation.
 - Encourages extravagant use of resources that are used as aid.
- (Any 8x1 = 08mks)

5a) Causes of disguised unemployment:

- poor land tenure system.
- Limited capital
- Inadequate skills
- Lack of information about alternative jobs
- High population growth rate
- Nepotism in recruitment
- Desire to retain work force for future use.
- poor manpower planning.
- poor political atmosphere.
- low entrepreneurial ability
- unfavourable climatic conditions
- poorly developed infrastructures.

(Any 6x1 = 06mks)



UGANDA NATIONAL EXAMINATIONS BOARD
UGANDA ADVANCED CERTIFICATE OF EDUCATION
NOVEMBER - DECEMBER, 2022

Page 12 of 16

Do not
write
in this
margin

Candidate's Name

Signature

Subject Paper code/.....

Random No.

Personal Number

b) Need to reduce unemployment.

- To avoid decline in the acquired labour skills.
- To reduce dependence burden.
- To increase o/p hence economic growth.
- To reduce income inequality.
- To increase government revenue.
- To increase aggregate demand / To increase mkt size.
- To reduce / discourage brain drain.
- To reduce government expenditure.
- To reduce social unrest / family instabilities.
- To provide income to people hence reducing misery.
- To avoid / minimise political unrest / tension
- To encourage investment in education.
- To reduce rural urban migration and its evils
- To fight immorality and crime.

(Any 7x2 = 14mks)

6a) Methods used by the central bank to influence money supply.

- The bank rate.
- open market operations.
- margin requirements.
- Legal reserve requirements.
- Rationing of credit.
- Selective credit control.
- special deposits / compulsory reserves.



UGANDA NATIONAL EXAMINATIONS BOARD
UGANDA ADVANCED CERTIFICATE OF EDUCATION
NOVEMBER - DECEMBER, 2022

Page 13 of 16

UACE

Do not
write
in this
margin

Candidate's Name

Signature

Subject Paper code/.....

Random No.

Personal Number

- moral suasion
 - currency reforms
 - variable reserve requirements (cash ratio, liquidity ratio)
- (Any 5x2 = 10 mks)

b) Factors that influence the implementation of monetary policy.

- The degree of awareness of the public of the open market operations.
 - The level of liquidity in commercial banks.
 - The degree of liquidity preference of the people.
 - The size of the subsistence sector / degree of commercialisation of the economy.
 - The level of control of the economy by foreign owned commercial banks.
 - The level of accountability (in the banking sector)
 - The degree of political interference.
 - The distribution of commercial banks / The level of development of commercial banks.
 - The level of development / availability of money mks.
 - The degree of conflict in government objectives.
 - The level of use of commercial banks (Due to degree of ignorance of use of commercial banks, degree of illiteracy, the credit worthiness of customers, availability of collateral security, the level of incomes.
- (Any 5x2 = 10 mks)



UGANDA NATIONAL EXAMINATIONS BOARD
UGANDA ADVANCED CERTIFICATE OF EDUCATION
NOVEMBER - DECEMBER, 2022

Page 14 of 16

UACE

Do not
write
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Candidate's Name

Signature

Random No.

Personal Number

Subject Paper code/.....

Do not
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7a) Features of a good tax system.

- It should be equitable
 - " " " economical
 - " " " elastic / flexible
 - " " " simple
 - " " " Diverse / comprehensive
 - " " " optimal
 - " " " convenient
 - " " " Neutral / impartial
 - " " " consistent
 - " " " avoid double taxation
 - " " " based on the ability to pay principle
- (Any 10x1 = 10mks)

b) Measures Being taken to increase tax bases.

- Developing Infrastructures.
- monetising the economy.
- Improving skills of tax administrators
- Developing the industrial sector.
- Averding unnecessary / reduce tax concessions
- Liberalising trade
- Diversifying the economy.
- privatising state enterprise.
- encouraging investment
- improving political climate
- fighting corruption.

(Any 10x1 = 10mks)

