



SECTION A (20 MARKS)

1. (a) (i) Derived demand Is the demand for a commodity because of demand for the products that it helps to produce. (1 mark)
While
Aggregate demand is the total demand for goods and services in an economy at a given period of time. (01mark)

OR

Is the total planned expenditure on goods and services by all sectors of the economy in a given period of time. (01mark)

- (ii) Causes of an increase of aggregate demand in Uganda.
(a) Increase in income levels.
(b) Decrease in general price level | Decrease in the rate of inflation.
(c) Increase in population size.
(d) Decrease in taxation / Increase in subsidization of consumers.
(e) Increase in provision of credit facilities.
(f) Increase in capital stock.
(g) Increase in money supply.
(h) Increase in the level of monetisation.
(i) Increase in supply of goods and services.
(j)

(Any 2 x 1 = 2marks)

- (b) (i) Gross Domestic product at factor cost is the monetary value of all final goods and services produced in a country at a given period of time valued at what is paid to the factors of production. (1 mark)

- (ii) Gross Domestic product at factor cost;
= GDP + Subsidies – Outlays (1mark)
= Shs. 900 billion + shs 400 billion – shs 620 billion. (1 mark)
= Shs. 680 billion. (1 mark)

- (c) (i) Agricultural Mechanisation is the extensive use of machinery in farm production activities or in agricultural production. (1 mark)

While

Agricultural modernization is the changing of agricultural sector from subsistence to commercialized high yielding sector. (1 mark)

- (ii) Two objectives of agricultural modernization in Uganda.
(a) To increase out put / economic growth.
(b) To create employment opportunities.
(c) To raise more revenue to the government.
(d) To stabilize / increase producers' income.

- (e) To promote / ensure food security.
 - (f) Controlling structural inflation.
 - (g) To improve the Balance of payment position.
 - (h) To increase resource utilisation.
 - (i) To widen consumers' choice.
 - (j) To promote industrial development.
 - (k) To improve labour skills.
 - (l) To promote entrepreneurial skills.
 - (m) To increase quality of output.
 - (n) To reduce income inequality.
 - (o) To reduce dependence
 - (p) To improve the terms of trade.
 - (q) To promote infrastructural development.
 - (r) To promote technological development.
- 2 x 1 = 2 marks

(d) (i) The Big Push theory states that for backward economies/LDCs to take off into a self-sustained growth, massive investment programmes in industries and (economic) infrastructure is required. (1 mark)

(ii) Three constraints to the adoption of the Big Push theory in Uganda.

- (a) Limited capital.
- (b) Under developed infrastructure.
- (c) Poor land tenure system.
- (d) Low level of accountability/ High level of corruption.
- (e) High degree of conservatism.
- (f) Political instability.
- (g) Limited skilled labour.
- (h) Low level of entrepreneurial skills.
- (i) High rate of inflation.
- (j) Limited raw materials.
- (k) Limited market.
- (l) Limited investment incentives.
- (m) Dependence on foreign aid which is inconsistent, inadequate
- (n) Use of poor technology
- (o) Weak plan implementation machinery.
- (p)
- (q)

3 x 1 = 3 marks

(e) (i) Nationalisation is the taking over by the government of control and ownership of enterprises formerly privately owned (with or without compensation). (1mark)

While

Divestiture is the total/complete/outright sale of public enterprises to private individuals. (1 mark)

(ii) Two costs of divestiture in Uganda.

- (a) It increases consumer exploitation.
- (b) Causes unemployment in the short run.
- (c) Leads to foreign control of the economy.
- (d) Leads to income inequality.
- (e) It reduces provision of essential services.
- (f) It results into environmental degradation.

- (g) Leads to profit repatriation.
- (h) Breeds resentment of the government in power.
- (i) Losses are incurred due to ~~heavy losses~~ due to undervaluation and high cost
- (j) Complicates planning since the private sector is hard to control.
- (k)
- (l)
- (m)
- (n)

~~2 x 1 = 2 marks~~
 (Any 2 x 1 = 2 marks)

SECTION B (80 MARKS)

2.

- (a) Features of industrial sector in Uganda.
- (a) Mainly engaged in processing products.
 - (b) Mainly made up of small scale firms / mostly comprises of small scale and medium scale firms.
 - (c) Production of mainly consumer goods / production of mainly final goods.
 - (d) Durable consumer goods industries are mainly assembling plants.
 - (e) High component of imported raw materials and intermediate products.
 - (f) Mainly urban based.
 - (g) Mainly use unskilled and semi-skilled labour.
 - (h) Production is mainly for domestic market / mainly comprises of import substituting industries.
 - (i) Mainly produce low quality of output.
 - (j) Mainly uses labour intensive technology.
 - (k) Mainly operates at excess capacity.
 - (l) Limited linkages with other sectors of the economy.
 - (m) Many are agro – based / strongly agro – based.
 - (n) Dominated by privately owned firms.
 - (o) ~~Enterprises~~
 - (p)
 - (q)

Qualities are a must

Any 10 x 1 = 10 marks

- (b) The measures being taken to promote the industrial sector in Uganda.
- (a) Expanding market.
 - (b) Providing investment incentives.
 - (c) Improving the political climate.
 - (d) Developing infrastructure.
 - (e) Improving the land tenure system.
 - (f) ~~Providing~~ Providing affordable capital to investors.
 - (g) Liberalising the economy (further)
 - (h) Privatising public enterprises. (further)
 - (i) Training labour to acquire relevant skills.
 - (j) Controlling inflation.
 - (k) Diversifying the economy.
 - (l) Promoting technological development / transfer.
 - (m) Undertaking entrepreneurial development and training.
 - (n) Protecting infant industries by the government.
 - (o) Establishing specialized institutions e.g Uganda investment Authority.
 - (p) Encouraging savings.
 - (q) ~~Wholesaling markets~~
 - (r) Fighting corruption.
 - (s) Modernising agriculture.

(10 x 10 marks = 100 marks)
 1/2 mark point statement
 1/2 mark explanation

(a) **Economic growth** is the persistent increase in the quantity of goods and services produced in an economy in a given period of time. (2 marks)

While
Economic development is the (persistent) quantitative and qualitative increase in the goods and services produced in an economy over time. (2 marks)

(b) The impact of economic growth in Uganda.

Positive impact;

- (a) provides employment opportunities.
- (b) Encourages exploitation of resources hence avoidance of wastage.
- (c) Facilitate development of labour skills.
- (d) Promotes development of entrepreneurial ability.
- (e) Promotes infrastructural development.
- (f) Reduces dependency on other economies.
- (g) Enhances technological development.
- (h) Leads to increased industrialization / diversifies the economy.
- (i) Improves B.O.P position / increase forex earnings.
- (j) Breaks / reduces conservatism / cultural rigidities,
- (k) Provides revenue to the government (through taxation)
- (l) Widens consumers' choice.
- (m) Reduces / controls inflation.
- (n)
- (o)
- (p)

8 x 1 = 8 marks

Negative impact of economic growth

- (a) Leads to technological unemployment.
- (b) Leads to over exploitation of resources.
- (c) Leads to erosion of social and cultural values / individualism.
- (d) leads to rural urban migration and its evils.
- (e) Leads to social costs.
- (f) Leads to income and wealth inequalities.
- (g) Leads to occupational hazards.
- (h) Leads to unbalanced regional development.
- (i) Leads to sacrifice of the present consumption.
- (j) Leads to increased income and profit repatriation.
- (k) Leads to low quality output produced.
- (l) Leads to fore going of leisure / over working.
- (m) Leads to increased external resource dependence / worsens debt burden.
- (n)

4.

(a) The methods used to determine wages in Uganda.

- (a) Piece rate.
- (b) Employers setting wages.
- (c) Market forces of demand and supply interaction for labour.
- (d) Individual bargaining power.
- (e) Collective bargaining by trade unions.
- (f) Time rate.

$\frac{1}{2}$ - explanation
 $\frac{1}{2}$ - point
 6 x 1 = 06 marks

(b) Factors that affect the level of wages in Uganda.

- (a) Level of education and training.
- (b) Cost of Living.
- (c) Level of talents and natural gifts.
- (d) Nature of the job | Degree of risk involved in the job.
- (e) Level of experience / responsibility.
- (f) Bargaining strength of individual workers.
- (g) Market forces of demand and supply of labour.
- (h) Employers' ability and willingness to pay.
- (i) Level of discrimination in the labour market.
- (j) Government policy on wages.
- (k) Ability of workers (piece rate system).
- (l) Strength of workers' trade unions.
- (m) The number of hours worked (time rate system).
- (n) Elasticity of supply of labour.
- (o)
- (p)
- (q)

7 x 2 = 14 marks

5. (a) A description of the process of credit creation.

- (a) Receiving of the initial deposit by the first bank e.g Bank A.
- (b) Keeping a percentage of the deposits as cash ratio.
- (c) Lending the remaining balance of the deposit to the creditworthy borrowers.
- (d) Another bank (Bank B) receives money lent by bank A as new deposit.
- (e) Bank B keeping part of the new deposit as cash ratio.
- (f) Lending by Bank B the remaining part of the deposits to the borrowers.
- (g) The process continues until the initial deposit diffuses in the banking system.
- (h) At the end of the process Total deposit created = Initial deposit x credit Multiplier.

8 x 1 = 08 marks

(b) Measures that can be taken to promote credit creation in Uganda.

- (a) Expansionary monetary policy should be implemented.
- (b) Commercial banks should be widely distributed / Develop financial infrastructure.
- (c) Advertise loan facilities to the public.
- (d) Inflation should be checked to stimulate lending.
- (e) Proper accountability should be ensured in commercial banks.
- (f) More deposits should be mobilized from the public.
- (g) A low cash ratio should be kept by commercial banks.

- (h) The subsistence sector should be reduced / Expand the commercial sector.
 (i) ~~Improve the business climate to increase demand for loans.~~
 (j) Loan officials who monitor borrowers should be trained to become more efficient.
 (k) ~~Stabilize the political climate.~~
 (l) ~~Provide investment incentives to increase demand for loans.~~
 (m) ~~Reduce interest rate on loans / increase interest rate on deposits.~~
 (n)

(6 x 2 = 12 marks)
 (6 x 2 = 12 marks)

6. (a) An account for the persistent Balance of payment disequilibrium in Uganda.

- (a) Low volume of exports.
 (b) Exportation of low quality goods.
 (c) Exportation of mainly primary products / low prices of exports.
 (d) High propensity to import.
 (e) Political instability leading to high expenditure on military hardware.
 (f) Importation of highly priced products (especially manufactured goods).
 (g) High level of debt servicing / external debt payments.
 (h) Heavy government expenditure abroad.
 (i) Trade restrictions in export markets.
 (j) High level of repatriation of wages and profits.
 (k) Market flooding / limited market for similar products produced abroad.
 (l) Prices of exports are externally determined. Weak bargaining power of Uganda
 (m) Limited variety of exports.
 (n)
 (o)
 (p)

1/2 mc point
 1/2 mc explanation
 10 x 1 = 10 marks

(b) Measures that have been taken to reduce the balance of payment disequilibrium in Uganda.

- (a) Adopted trade restriction to discourage imports.
 (b) Promoted establishment of import substitution industries.
 (c) Diversified export markets.
 (d) Increased the volume of exports.
 (e) Diversified exports.
 (f) Stabilized the political atmosphere.
 (g) Undertaken local manpower development.
 (h) Restructured foreign missions and reduced foreign travels by officials.
 (i) Strengthened or joined commodity agreements to increase bargaining power in export markets.
 (j) Negotiated for removal of trade restrictions in export markets.
 (k) Encouraged depreciation of local currency.
 (l) Appealed for debt relief / debt conversion.
 (m) Improved the quality of exports.
 (n) Processed exports to increase value and price.
 (o)
 (p)
 (q)
 (r)

1 - 1/2 mc point
 1/2 mc explanation
 10 x 1 = 10 marks

7.

- (a) An explanation of canons of taxation.
- (a) Principle/canon of equity *fairness*
 - (b) Canon of certainty.
 - (c) Canon of economy/efficiency
 - (d) Canon of convenience.
 - (e) Canon of productivity.
 - (f) Canon of Elasticity/flexibility.
 - (g) Principle of simplicity.
 - (h) Principle of neutrality/impartiality.
 - (i) Principle of diversity / comprehensiveness.
 - (j) Principle of optimality.
 - (k) Principle of ability to pay.
 - (l) Principle of consistency.
 - (m) Avoidance of double taxation.
 - (n)
 - (o)
 - (p)
 - (q)
 - (r)

(8 x 1 = 08marks)

- (b) The role of taxation in Uganda.

Positive roles include;

- (a) Raises revenue to the government.
- (b) Ensures equitable distribution of income.
- (c) Improves the balance of payment position.
- (d) Protecting domestic firms / products.
- (e) Ensures proper allocation of resources / Influences investment.
- (f) Controls inflation.
- (g) Discourages production and consumption of harmful goods.
- (h) Influences the level of economic growth.
- (i) Controls monopoly powers.
- (j) Taxation controls dumping.
- (k) Encourages hardwork and initiative / effort.
- (l)
- (m)
- (n)

6 x 1 = 06 marks

Negative Roles of taxation Include;

- (a) Discourages savings.
- (b) Encourages malpractices e.g smuggling, corruption etc.
- (c) Discourages effort and initiatives.
- (d) Its inflationary i.e indirect taxes cause inflation.
- (e) Creates resentment of government / leads to unrest.
- (f) Leads to income inequality.
- (g) Discourages investment.
- (h) Leads to inefficiency of domestic infant industries which are shielded from external competition.
- (i) Reduces consumption hence reduce consumer welfare.

- (j) Increases production costs leading to closure of some firms / unemployment due to closure of loss making firms.
- (k) Leads to diversion of resources from highly taxed to sometimes non productive activities that are less taxed / leads to resource mis-allocation.
- (l) Limits volume and benefits of trade.
- (m) Leads to retaliation by trading partners.
- (n)
- (o)
- (p)
- (q)

6 x 1 = 06 marks

END