

MATIGO EXAMINATIONS BOARD



P220/2 ECONOMICS MARKING GUIDE 2023 PAPER 2

Qn	Answers	marks
1(a)(i)	Aggregate supply is the total supply of goods and service in an economy at a given period of time While Aggregate demand is the total demand for goods and services in an economy at a given period of time.	02
(ii)	(ii) Factors that determine aggregate of supply <ul style="list-style-type: none"> • Available land and raw material • Quantity and productivity of labour • Level of productivity of capital • The level of technology • The level of entrepreneurship (skills) • Factor prices Lead out policy on investment	(2 × 1)
(b)(i)	Casual employment is the one that takes place due to temporary end of demand for labour While Technological unemployment is the one that takes place due to advancement in technology that replaces labour	02
(ii)	Solution to technological unemployment (suggest) <ul style="list-style-type: none"> • Encourage the appropriate technology • Encourage multi skilling of labour • Educational reforms • Encourage investments (provide investment incentive) 	(2 × 4)

(c)(i)	Trade unions are associations of workers of a given industry set up to protect the rights of workers	01
(ii)	<p>Features of trade unions in Uganda</p> <ul style="list-style-type: none"> • Mainly urban based • Dominated by semi-skilled and unskilled labour • Highly politically influenced • Represent interest of few people/small memberships • They are amorphous in nature • They are financially weak • Have weak leadership • Experience high level of corrupt • Characterized by disunity 	03
(d)(i)	<p>An exchange rate refers to rate at which a country's currency is exchanged with other currencies in the foreign exchange market</p> <p>OR</p> <p>This is the price of the domestic currency in terms of foreign currency</p>	01
(ii)	<p>Causes of exchange rate fluctuation in Uganda</p> <ul style="list-style-type: none"> • Fluctuation in the volume of domestic output • Fluctuation in the foreign exchange reserves • Fluctuation in domestic money supply • Fluctuation in capital flow & out flow • Fluctuation in the volume of imports • Fluctuation in the value of imports 	03
(e)(i)	<p>Tax compliance is the degree to which a tax payer conforms to the tax rules of the country (such as declaring income, filling tax returns and paying tax due on time)</p> <p>OR</p> <p>Tax compliance is the degree to which a tax payer meets his tax obligation in accordance with the regulations of the country.</p> <p>(ii) Causes of low tax compliance</p> <ul style="list-style-type: none"> • Inequitable tax system • Complicated tax laws and regulation framework • Inconsistent application of tax laws and rules 	

	<ul style="list-style-type: none"> • Poor tax administration/ Un professionalism in tax administration/ Hash tax administration poor service delivery by the government to justify tax payment. • High tax rates • Unpopularity of the government • Poor business management and book keeping • Limited knowledge about importance of tax payment. • Inconvenient tax system. • Low levels of income by tax paying community/poverty among tax payers • High levels of corruption by tax payers and tax officials. 	
2(a)	<p>(a) Source of monopoly</p> <ul style="list-style-type: none"> • Existence of patent rights • Large initial capital requirements • Existence of small market size • Ownership of a strategic resource • Long distance between producers • Merging of firms • Through the act of parliament • Protectionism in international trade • Having exclusive knowledge about production • Limit pricing policy 	(5 × 2)
(b)	<p>Ways that should be taken to control monopoly</p> <ul style="list-style-type: none"> • The use of price control • The use of taxation • Removal of foreign trade restriction • Subsidize new firms • Improve infrastructure • Nationalize private monopolies • Adopt anti merging laws • Relaxing patent rights • Formation of consume association • Establish bureau of standards • Under take privatization of public firms • Liberatise the economy 	(10 × 2)

3(a)	<p>Labour supply is the number of people willing and able to work at a given wage rate OR The measure of hours of work offered at a given rate per period of time. While Demand for labour refers to the number of workers an employer is willing to employ and retain in employment at a given wage rate for a given period of time.</p>	04
(b)	<p>Factors that determine labour supply in your country.</p> <ul style="list-style-type: none"> • The population size • The number of hours worked • The influence of trade unions • The health conditions of the worker • The age composition of the population • The nature of working condition • The level of education/skill required by a given job • The political climate • The wage rate • The sex composition of the population • The rate of migration of labour • The attitude of workers towards work 	(8 × 2)
4(a)	<p>Why is there a need to modernize agricultural sector in Uganda.</p> <ul style="list-style-type: none"> • To increase output • To create employment opportunities • To reduce income inequality • To reduce dependence • To improve terms of trade • To increase income among farmers • To provide food security • To generate more revenue for government • To control inflation • To reduce regional imbalance • To widen consumer choice • To provide infrastructure development 	(10 × 1)

	<ul style="list-style-type: none"> • To provide industrial development • To increase labour skills • To provide entrepreneurship (skills) • To improve quality of output • To provide innovation and inventions 	
4(b)	Factors limiting agricultural modernization in Uganda. <ul style="list-style-type: none"> • Under-developed infrastructure • Unfavourable natural factors • Limited labour skills • Small market size • Unfavourable political climate • Poor techniques of production • Poor land tenure system • Poor entrepreneurial ability • Low prices/ fluctuating prices • Conversation among farmers • Unfavourable topography • Low level of accountability 	(10 × 1)
5(a)	Forms of privatization <ul style="list-style-type: none"> • Divestiture • Partial sale • Joint venture • Contracting • Mortgaging • Leasing • Denationalization 	(4 × 2)
(b)	Implication of privatization Positive <ul style="list-style-type: none"> • Widen the tax base • Reduce government expenditure • It encourages production of high quality goods • It provides exploitation of resources 	(6 × 1) (6 × 1)

	<ul style="list-style-type: none"> • It encourages foreign capital in flow • It encourages technological transfer • It increases local production • It reduces inflation • It provides innovation and creativity • It widens consumer choice • It reduces corruption • It improves international relations • It reduces beauractic tendencies <p>Negative</p> <ul style="list-style-type: none"> • It leads to pollution • It leads to loss of money by government • It leads to labour exploitation • It leads to emergency of private monopolies • It encourages wastage of resources through competition • Essential services becomes too expensive • It worsens unemployment • Encourages foreign dominance • Worsens income inequality • It leads to profit repatriation • It reduces provision of partial goods • Government planning becomes difficult • High social costs 	
6(i)	<p>How commercial banks achieve</p> <p>(i) Liquidity</p> <ul style="list-style-type: none"> • By mainting a cash ratio • By undertaking credit squ..... • Use of short term lending policy • Purchasing short term assets • Realizing more deposits from customers • Borrowing from the central bank • Demanding for collateral security and liquidating it 	(4 × 1)

	<p>Role of commercial banks</p> <ul style="list-style-type: none"> • Provision of employment opportunities • Contribute to government revenue • Development of entrepreneurship skills • Mobilize savings • Provide pure stability • Provide advice to investors • Lend more to investors • Monetize the economy • Develop infrastructure 	(6 × 2)
(ii)	<p>Profitability</p> <ul style="list-style-type: none"> • Through advancing loans and over draws • Investing in profitable projects • By discounting bill of exchange • By charging fees • Buying securities like bonds 	(4 × 1)
7(a)	<p>Cause of persistent budgetary deficits in Uganda</p> <ul style="list-style-type: none"> • Narrow tax base • High degree of tax evasion and avoidance • Low taxable capacity • Poor tax administration and managerial • High rate of corruption and embezzlement • High administrative expenditure • Heavy burden on servicing debts • High expenditure on military • Over ambitious planning • High cost on maintaining infrastructure • Heavy expenditure on international commitment • Heavy expenditure on fighting poverty 	(10 × 1)
(b)	<p>Measures that should be taken</p> <ul style="list-style-type: none"> • Encourage cost sharing 	

	<ul style="list-style-type: none"> • Political climate should be stabilized • Power should be decentralized • Public enterprises should be privatized • Corruption should be fought • Tax sources should be widened • Restructure foreign missions • Control population growth rate • Reduce acquisition of unproductive debts • Carry out retrenchment • Further liberalize the economy • Widen the tax base • Improve on tax collection and management 	(10 × 1)

END
(+256780413120)