

**WAKISSHA JOINT MOCK EXAMINATIONS**  
**MARKING GUIDE**  
 Uganda Advanced Certificate of Education  
 July/August 2024  
 ECONOMICS P220/2



**SECTION A (20 MARKS)**

1. (a) (i) **Transfer earnings** refer to the minimum payment to a factor of production to keep ~~it~~<sup>them</sup> in its current employment and prevent ~~it~~<sup>them</sup> from transferring to the next best alternative use. (1 mark)

**While**

**Transfer payments** refer to the income received by individuals without anything given in return. (1 mark)

**OR**

Its payment made to individuals without corresponding goods or services rendered.

- (ii) Examples of transfer payments in Uganda.

- ① Grants/donations
- ② Pension.
- ③ Pocket money to students / spouses/ .../ friends.
- ④ Sick relief.
- ⑤ Gifts.

- (b) (i) **Labour saving techniques** are production techniques that employ relatively more units of capital than other factors of production especially labour. **2 X 1 = 2marks**

(1 mark)

**While**

**Capital saving <sup>techniques</sup> technology** refers to the techniques of production that employ more units of labour than other factors of production especially capital. (1 mark)

- (ii) Objectives of adopting labour saving techniques in Uganda.

- 1 To produce high quality goods.
- 2 To increase resource utilization.
- 3 To promote growth of the industrial sector.
- 4 To increase labour efficiency.
- 5 To reduce the wage bill.
- 6 To promote standardization of output.
- 7 To promote development of infrastructure.
- 8 To promote technological transfer. and development. (innovation | invention)
- 9 To save time.
- 10 To accelerate economic growth. (GDP | National income)
- 11 To encourage training of labour force / To improve labour skills.
- 12 To reduce labour unrests/ To promote industrial peace.

- To enjoy economies of scale.
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- 

2X1 = 2m/4s

(c) (i) Banking financial intermediaries are financial institutions that receive deposits from the public, give loans and create credit. (1 mark)

- (ii) Three functions of banking <sup>financial</sup> intermediaries in Uganda.
- Accepting and safe guarding deposits of people, business etc.
  - Advancing loans and over drafts to those who need financial assistance.
  - Acting as custodians to their customers' valuables.
  - Issuing various forms of credit instruments/ providing easy means of payments.
  - Providing advice to investors, (on possible investment choices).
  - Issuing letters of credit and acting as referees to their clients.
  - Under writing shares and debentures of companies as well as discounting bills of exchange.
  - Acting as trustees and executors of property and wills of customers.
  - Exchanging currencies of different countries.
  - Helping in implementing policies of the central bank.

(3 X 1)

(d) (i) Tax evasion is the (deliberate) refusal by the tax payer to pay the tax assessed On him or her. (1 mark)

While

Tax compliance is the degree ~~of~~ to which a tax payer or a tax paying community conforms to the tax rules of the country.

(1 mark)

(ii) Chargeable income = Gross income – Allowance expenses (1 mark)

Shs. 110,000,000 – 85,000,000 (½ mark)

= Shs.25,000,000 (½ mark)

(2 marks)

(e) (i) Comprehensive planning is the type of planning that covers the entire economy / whole economy ~~and~~ <sup>all</sup> sectors of the economy. (1 mark)

(ii) Advantages of comprehensive planning.

- 1 <sup>Promotes</sup> Reduces inter sectorial linkages.
- 2 Reduces <sup>intra</sup> sectorial and regional imbalances.
- 3 Ensures efficient <sup>allocation</sup> ~~certification~~ of scarce resources.
- 4 Leads to expansion of employment opportunities.
- 5 Widens the tax base/ increases tax revenue.
- 6 Reduces economic dependency.



- 7 Reduces rural urban migration ~~problem~~ and its evils.
- 8 Targets stipulated in the plan documents are likely to be achieved.
- 9 It improves government popularity.
- 10 Attracts more investors.

3 X 1 = 3marks

## SECTION B (80 MARKS)

- 2 (a) Reason why prices of agricultural products fluctuate.
- 1) Long gestion period for agricultural products.
  - 2) The products are bulky (Bulkiness of agricultural products).
  - 3) Agricultural products are perishable.
  - 4) Price inelastic demand for agricultural products. *Low P-E.D*
  - 5) Income inelastic demand for agricultural products. *Low Y.E.D*
  - 6) Difficulty in co ordinating production plans due to many farmers.
  - 7) Weak commodity agreements.
  - 8) Substitution of agricultural products with *Synthetic* ~~synthesis~~ products.
  - 9) Changes in the cost of production.
  - 10) Poor surplus disposal system or mechanism.
  - 11) Divergence between planned and actual output.
  - 12) Heavy dependence on natural factors.
  - 13) Innovation of raw material *saving* techniques.
  - 14) Prices of the agricultural products are externally determined / weak bargaining power of farmers in Uganda. *(5 x 2 = 10 marks)*

~~10 x 1 = 10 marks~~

- (b) Effects of agricultural price fluctuations in Uganda.
1. Results into unstable terms of trade.
  2. Leads to fluctuations in balance of payment position.
  3. Leads to fluctuations in farmers' incomes.
  4. Leads to fluctuations in government revenue.
  5. Leads to rural urban migration and its evils.
  6. Leads to unstable foreign exchange earnings.
  7. Leads to uncertainty especially investment in agriculture.
  8. Worsens income inequality.
  9. Makes projected planning based on agricultural export earnings *Difficult*.
  10. Leads to seasonal unemployment / fluctuations in employment levels.
  11. Leads to unstable exchange rates.
  12. Producers get frustrated and abandon agriculture.

10 x 1 = 10 marks

3. (a) A description of the features of the informal sector in Uganda.
1. Dominated by small scale operations / mainly *useless* ~~useless~~ capital. *use less*
  2. Produces mainly for the local market.
  3. Mainly uses labour intensive techniques.
  4. Produces mainly low-quality goods.
  5. Mainly urban / semi urban based.

6. Limited government control of the sector.
7. Mainly uses <sup>un</sup>skilled / semi-skilled labour.
8. Dominated by sole proprietorship.
9. Mainly low quantity of output is produced.
10. Produces mainly consumer goods.
11. Mainly uses local resources / inputs.
12. There is limited <sup>or no formal</sup> book keeping.

10 x 1 = 10 marks

(b) The role of the growing informal sector in Uganda;

1. It increases more employment opportunities.
2. Increases government revenue / widens the tax base.
3. Improves labour skills.
4. Widens consumer's choices.
5. Increases resource utilization.
6. Promotes development of technology.
7. Contributes economic growth (GDP) National income.
8. Produces locally affordable goods.
9. Saves the scarce foreign exchange | improves balance of payment position.
10. Facilitates development of small-scale industries.
11. Reduces income inequality.
12. Promotes commercialization of the economy.
13. Promotes development of entrepreneurial skills.
14. It diversifies the economy.

10 x 1 = 10 marks

(a) An account for the low level of investment in Uganda.

1. Limited capital.
2. Limited skilled labour.
3. Low level of income.
4. Limited savings.
5. Small market size.
6. High interest rate on capital.
7. Political instability in some parts of the country.
8. High rate of inflation.
9. Low level of entrepreneurship.
10. High rate of capital out flow.
11. High degree of conservatism.
12. Under developed infrastructure.
13. Poor land tenure system.
14. High population growth rate.
15. Under developed technology.
16. Unfavorable government policy on investment.
17. High marginal <sup>propensity</sup> propensity to import.
18. Limited supply of raw materials.
19. Low level of accountability.
20. Low marginal efficiency of capital.

10 X 1 = 10 marks



(b)

Benefits of foreign direct investment in Uganda.

1. Fills the savings – investment gap.
2. Fills the foreign exchange gap.
3. Provides government revenue.
4. Promotes technological transfer and development.
5. Creates employment opportunities.
6. Improves labour skills through training.
7. Widens consumer's choices.
8. Provides better quality goods.
9. Encourages efficiency of local firms due to competition.
10. Promotes friendly relations with other countries.
11. Accelerates industrial development.
12. Increases resource utilization.
13. Improves balance of payment position.
14. Increases output hence economic growth.
15. Promotes infrastructural development.

10 X 1 = 10 marks

5.

(a) Merits of a high population growth rate.

1. Provides a large market size.
2. Increases tax revenue.
3. Increases labour supply.
4. Increase exploitation of natural resources
5. Stimulate investment.
6. Awakens government of its responsibility of providing necessary infrastructure.
7. Encourages innovations and inventions
8. Initiates effort to work hard.
9. Encourages mobility of labour.
10. Reduces per capita social overhead costs.

5 X 2 = 10 marks

(b)

The need to control rapid population growth rate.

1. To control/reduce economic dependence.
2. To reduce unemployment.
3. To reduce income inequality.
4. To improve balance of payment position.
5. To control social costs like pollution.
6. To increase effective demand / market.
7. To avoid over utilization of resources.
8. To ease planning for the population.
9. To reduce pressure on infrastructure.
10. To control rural urban migration and its negative effects.
11. To minimize brain drain.
12. To fight crime and immorality.
13. To increase savings.
14. To increase investment.
15. To improve labour productivity.

16 To prevent food shortage.

1 Point statement  
2 explanation

Any 10 X 1 = 10 marks

6 (a) The demerits of inflation in Uganda;

1. Discourage savings.
2. Discourages investment.
3. Worsens balance of payment ~~position~~ <sup>problem</sup>.
4. Leads to rural urban migration and its evils.
5. Leads to unemployment.
6. Leads to industrial unrest.
7. Creditors lose.
8. Leads to unpopularity of the government in power.
9. Discourages hard work (by low income earners / breeds apathy)
10. Promotes tax evasion / low revenue to government through taxation.
11. Leads to social unrest.
12. Fixed / low income earners suffer / causes misery among the poor.
13. Encourages production of low-quality goods.
14. Promotes social vices e.g crime and immorality.
15. Leads to brain drain.
16. Strains workers due to long working hours.
17. Makes planning difficult.
18. Leads to inequitable income distribution.
19. Leads to collapse of some firms.
20. Leads to capital outflow.
21. Leads to loss of confidence in the local currency.

is / does / has followed

Any 10 X 1 = 10 marks

(b) Measures that have been taken to control inflation in Uganda.

1. Reduced government expenditure.
2. Controlled credit creation.
3. Controlled government borrowing from the central bank.
4. Controlled issuance of currency.
5. Developed infrastructure.
6. Improved the political climate.
7. Liberalized the economy.
8. Privatized public enterprises.
9. Modernized agriculture.
10. Provided investment incentives to investors.
11. Encouraged importation from cheaper sources.
12. Established import substitution industries.
13. Increased direct taxes on incomes.
14. Reduced indirect taxes on essential commodities.
- 15.
- 16.
- 17.
- 18.
- 19.

10 X 1 = 10 marks

✓ Only part tense

(b) An account for the preference of indirect taxes in raising public revenue in Uganda.

1. They are convenient to the tax payers i.e paid in bits.
2. They are less resented.
3. Hard to avoid.
4. Hard to evade.
5. Discourage consumption of demerit goods.
6. Are not a dis incentive to hard work.
7. Are flexible i.e have stabilization effect on the economy.
8. Are more certain.
9. Protect domestic infant industries.
10. Have high yields / widen the tax base | They are comprehensive.
11. Help to improve balance of payment position.
12. Encourage production i.e it is not a dis incentive to investment.
13. Are economical i.e cheaper and easy to collect.
14. Are impartial i.e do not discriminate among tax payers.
- 15.
- 16.
- 17.
- 18.

8 x 1 = 8 mks  
-08 marks.

(c) An explanation of the factors that affect tax compliance in Uganda.

1. Level of actual ~~distance~~ income.
2. Nature of employment.
3. Tax rates
4. Level of tax education.
5. Quality of tax administration.
6. Attitude towards tax payment.
7. Methods of tax collection.
8. Fairness of the tax system.
9. Level of degree of simplicity of the tax laws | system.
10. Level of motivation | rewards.
11. Level of consistency in the tax laws.
12. Customer care to the ~~prayers~~ tax payer.
13. Fines and penalties imposed on tax defaulters.
14. Level of use of whistle blowers or informers | informants.
15. Level of popularity of the government in power.
16. The extent to which the tax system is equitable.
17. Level of transparency and accountability of the tax authorities.
18. Quality of business management.
- 19.
- 20.
- 21.
- 22.
- 23.
- 24.

6 x 2 = 12 marks

END