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MARKING GUIDE
P22012 ECONOMICS
UACE UNEB EXAMINATIONS NOV/DEC 2020

SECTION A

1. (Q)(i) Internal economies of scale - are benefits enjoyed by / advantages accruing to a (large scale) firm in form of falling average cost of production as it increases its scale of production due to favourable conditions within the firm itself.

(01 Mark)

(ii) Three internal economies of scale enjoyed by firms in Uganda include:

- Pecuniary internal economies of scale.
- Real internal economies of scale.
- Managerial / administrative economies.
- Welfare economies.
- Technological economies (eg economies of increased dimension of factor individuality).
- Research economies (economies of research).
- Financial economies (of scale).
- Marketing / advertising economies of scale.
- Risk bearing economies.
- Transport economies.
- Storage economies.
- Labour economies of scale.

(Any 3 x 1 = 03 Marks)

(b) (i) Intermediate technology - is a method of production which is neither too advanced nor too low in relation to a society's level of development.

OR

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it is one which is between capital intensive and labour intensive technology. (01 mark)

Where-as:

Appropriate technology - is a method of production which is socially and economically suitable for a given economy or society or production activity. OR
one that matches the /a society's level of development/development goals/ ^{is line with} suits (01 mark)

(ii) Merits of using intermediate technology in Uganda:

- provides employment opportunities.
- Utilises idle resources hence avoidance of wastage.
- Improves labour skills.
- Increases output (hence economic growth).
- provides revenue to government.
- minimises/reduces external resource/economic dependence.
- saves scarce foreign exchange (hence) / improving B.o.P. position / increases output for export(s) hence increased foreign exchange earnings.
- ^{provides better quality products} improves quality of output / adds value to inputs.
- promotes development of entrepreneurship.
- Monetises the economy.
- promotes equitable income distribution.
- promotes development of ^(local) technology / ^{Promotes innovations and inventions hence tech devt.} technology / inventions hence tech devt.
- it is cheap and affordable.
- promotes balance in regional development.
^{It is easy to use Operate}
- ^{Reduces conservatism} ^{Capital rigidity}
^{Saves time (in production)}

(Any 2 x 1 = 02 marks)

(C) (i) Assets of commercial banks are possessions of the commercial banks are what commercial banks own possess White (01 mark)

Liabilities of commercial banks - are what commercial banks owe / are claims against commercial banks assets/possessions by clients, individuals, government, et cetera.

(ii) The following are examples of liabilities of commercial banks:

- Deposits (by customers).
- Dividends due.
- Bills rediscounted by the central bank / Loans by comm. banks from the central bank
- Guarantees on behalf of customers (customers' valuables kept at the commercial bank)
- Paid up capital / share Capital.
- Interest on customers deposits.
- outstanding claims against commercial banks - for example outstanding taxes, rent, wages, utility bill, insurance claims
- Cheques drawn against the commercial banks by customers.
- Loans by commercial banks from other institutions.

(Any 2 x 1 = 02 Marks)

(d) (i) cost-push inflation - is a persistent increase in the (general/average) price levels due to ~~rising~~ ^{increasing} average cost / rising costs of production. (01 mark)

Where as:

Demand pull inflation - is a persistent increase in the price level due to aggregate demand exceeding aggregate supply at full employment level of national income.

OR

One caused by excessive aggregate demand over aggregate supply at full employment of resources in an economy. (01 mark)

(ii) outline of any two causes of cost-push inflation in Uganda includes:

- Rising prices of raw materials.
- Rising interest rate.
- Rising cost of energy / fuel price
- Rising rental rate (s) / Rising cost of storage of goods / stock of goods
- Rising wage bill / Rising wage rate (s).
- Rising cost of transport.
- Increasing indirect taxes / increasing taxes on firms.
- Rising cost of advertisement / ~~Rising~~ cost of sales.

(e) (i) Foreign exchange rate - is value of a local currency in terms of other currencies / the value of a local currency is terms of foreign currencies. OR

The rate at which one currency exchanges with other currencies. OR

The amount of local currency required to purchase a unit of other currencies. OR

The price of a currency in terms of other currencies.

(of mark)

(ii) Statements of any three of the causes of fluctuations in the foreign exchange rates in Uganda include:

- Fluctuation(s) in prices of exports.
- changes in the volume of exports.
- Fluctuation in the price of imports.
- Fluctuation(s) in the volume of imports.
- Variation in the level of capital outflow and inflow / change in the level of foreign investment.
- Variation(s) in the level of (external) income flows / profit wage repatriation.
- Changes in the volume of gifts and grants.
- Speculation in the foreign exchange market.
- Fluctuation in supply of local currency.
- Government intervention in the foreign exchange market.
- Changes in govt exp. on foreign missions - external commitments / obligations

(Any 3 x 1 = 03 marks)

SECTION B

2. (a) Explanations of factors that influence price elasticity of supply in Uganda:

- The techniques of production / the state of technology.
- The objective of the producer.
- The extent/degree of excess capacity in firms / the level of employment of resources.
- Ease of entry of firms into the industry/market / NO. of firms
- The time period / *the gestation
- The cost of production.
- The efficiency of the transport system / eq. level of infrastructural development.
- The degree of dependence on natural factors / Natural factors
- The availability of stock of a commodity.
- Nature of products, that is perishability/durability of a product.
- The elasticity of supply of factors of production / factor inputs.
- The availability / mobility of factors of production raw material.
- Availability of competitively supplied products / possibility of competition in the supply of products.
- The possibility of varying factor inputs / the degree of lameness of factor inputs.

(b) Explanation of the importance of price elasticity of supply to Uganda:

- pricing of resources / F.O.P K-interest
Land-rent
Entrepreneur
- taxation policy
- subsidisation policy
- pricing of jointly supplied products
- pricing of competitively supplied products
- Important in making production decisions viz - what,

Answers
Unemployment
Acc
fuel
is price
of primary
products

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how much, to produce.

- Exchange rate manipulation policy.
- Determination / shifting of tax incidence.
- Determination of benefit(s) from international trade, protectionism

(Any 8 x 1 = 08 marks)

3. (a) An account for the increasing cost of living in Uganda:

- Rising price level / existence of inflation in Uganda.
- (Rapid) population growth / high population growth rate / increased populous.
- Break down of infrastructure.
- Unfavourable / poor political atmosphere / climate.
- Excessive inflow of income from abroad.
- Excessive (increase in) issuance of currency.
- Excessive credit creation.
- Excessive (increase in) government expenditure.
- Speculation (by traders and consumers).
- Importation from countries experiencing inflation.
- Greed for profits (by traders).
- Natural hazards (leading to short-fall in supply from agriculture sector) / rising food prices.
- Excessive borrowing from the central bank.
- (Frequent) fall in the value of local currency in terms of other currencies / depreciation of the currency in relation to other currencies.
- Rising prices of raw materials.
- Rising interest rate.
- Rising cost of energy / fuel / petrochemical products.
- Rising rental rates.
- Rising wage bill / rising wage rates.
- Rising transport costs.

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- Increasing indirect taxes / taxes on firms.
 - Rising cost of advertisement / rising cost of sales.
 - Rising cost of education.
 - Rising cost of medical services.
 - Attainment of consumerism Rising propensity to live lavish lifestyle / expensive lifestyle.
- (Any 10x1 = 10 marks)

(b) Suggestions of measures that should be taken to reduce the cost of living in Uganda:

- Reduce the price level / Reduce the rate of inflation.
- Increase direct taxes / increase taxes on incomes.
- Develop infrastructure. (to reduce transport costs/charges).
- Provide (tax) incentives to investors / Reduce taxes on goods.
- Improve the political atmosphere.

take import-substitution (industrialisation).

- Undertake contractionary monetary policy.

domestic supply).

- Control issuance of currency.
- Liberalise the economy.
- Modernise agriculture.
- Control government borrowing from the central bank.
- Privatise public assets / enterprises.
- Develop cheap sources of energy.
- Reduce central bank lending rate / reduce bank rate.
- Improve and increase quality and quantity of social services Red He provided by the state
- Reduce utility rates such as charges on water and electricity.
- Control population growth rate.
- Reduce govt. expenditure (on non-essential services).

(Any 10x1 = 10 marks)

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4. (a) Features of the industrial Sector in Uganda:

- mainly engaged in processing products.
- mainly made up of small scale firms / mostly comprises of small scale and medium scale firms.
- production of mainly consumer goods / production of mainly final products.
- Durable consumer goods industries are mainly ^{Assembly plants} final stage plants
- High component of imported raw materials and intermediate products.
- Mainly urban based.
- Mainly uses unskilled and semi-skilled labour.
- production is mainly for the domestic market / mainly composed of import substituting industries.
- Mainly privately owned.
- production of mainly low quality products.
- Mainly produces low quantity of output.
- Mainly uses labour intensive technology.
- Mainly operate at excess capacity.
- Limited linkages with other sectors of the economy.
- Many are agro-based / strongly agro-based.

(Any 10 x 1 = 10 Marks)

(b) Examination of the factors that affect the level of industrial development in Uganda:

- The size of existing (stock of) capital / the level of capital.
- The skills of labour.
- The (level of) entrepreneurship skills.
- The techniques of production.
- The supply of raw materials.
- Market size.
- The political atmosphere / climate.
- The level of development of infrastructure.

- ~~conserv
fisc
degree
of lib
of the
economy.~~

 - The land tenure system. ~~9-~~
 - The degree of price and exchange rate instability / rate of inflation.
 - The level of accountability.
 - The government policy of investment / the level of incentives provided to its investors.

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

5. (g) Explanation of effects of unemployment in Uganda (is | has | does)

- It is leading to decline in the level of acquired skills.
 - Increased dependence burden / increased dependence on working population. Resulted in low production / low output hence low economic growth.
 - worsened income disparity (ie).
 - Led to low aggregate demand for goods and services.
 - Led to brain drain.
 - High government expenditure on the unemployed.
 - Instability (es) in families / led to break down of some families.
 - Under-utilisation of resources hence wastage.
 - misery (and low) level of living due to low or no (earned) income.
 - Created political unrest / political tension / social unrest.
 - Discouraging investment in education.
 - Increasing rural-urban migration and associated evils.
 - Led to Social evils such as prostitution / immorality and crime.
 - Low revenue to government (than potential).

(Any 10 x 1 = 10 Marks)

(b) Measures that have been applied by the government of Uganda to control unemployment: 10

- Reformed the education system / provided skills to labour
- Promoted proper manpower planning.
- Provided affordable credit / loans / capital for investment.
- Improved / changed the land tenure system.
- Developed infrastructure.
- Widened market (by joining economic integration / through restriction of imports / protectionist measures).
- Improved entrepreneurship / promoted entrepreneurship.
- Modernised agriculture (e.g. through irrigation to reduce dependence on nature) application of better farming practices to increase output and profitability to encourage investment in agri.
- Encouraged use of appropriate technology (LIT)
- Liberalised the economy.
- Diversified the economy / promoted development of the industrial sector.
- Provided tax incentives to investors.
- Privatised public enterprises / assets.
- Provided social programmes to persons with physical handicaps, persons with special needs, etc.
- Improved the political atmosphere.
- Advertised jobs.
- Exported surplus labour to countries with labour needs.
- Under-taken population control measures.

(Any 10 X 1 = 10 marks)

6. (a) Giving any four sources of Public revenue in Uganda:

- Taxes.

- Fines.

+ Licence.

+ Market dues. -

- Special assessment.

- Rates, Charges on urban - it = property.
- Rent.
- Borrowing (internally and externally) / floating government securities/ loans.
- Forfeitures - sale of abandoned imports after fail to pay taxes
- Grants and gifts.
- profit / surpluses from public enterprises.
- Fees.
- printing and issuance of currency.
- Disinvestment / privatisation.
- Royalties.
- Fund-raising drive (for example in response to covid-19 Pandemic).

(Any 4 x 1 = 04 marks)

- (b) How taxation is used as an instrument of economic control in Uganda:

- By increasing ^{Raise} and reducing tax rates / providing tax incentives and disincentives to investors.
- Promotes equity in income distribution.
- Improves B.O.P. position.
- Means of protecting domestic industries.
- Influencing / promoting investment.
- Influences resources allocation.
- Reducing / controlling rate of inflation.
- Discourages production / and / consumption of demerit goods.
- Increases / influences the level / rate of economic growth.
- Controls monopoly power.
- (Used) to discourage dumping.
- (Used) to encourage hard-work and initiatives.
- (Used) for creating employment opportunities.
- Means of reducing dependence on other economies.
- Means of promoting resource utilisation.

(Any 8 x 2 = 16 marks)

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7. (a) Explanation of the factors that affect the growth of the private sector in Uganda.

- The level of entrepreneurship (skills).
- The existing (stock of) capital.
- Market size.
- The land tenure system.
- The availability of raw materials.
- The government policy of investment / the level of existing incentives to investors.
- The techniques of production.
- The skills of labour.
- The political atmosphere.
- The rate of inflation / the level of price and exchange rate stability.
- The level of development of infrastructure.
- The level of saving.
- The level of accountability.
- The interest rate.
- The degree of conservatism.
- Level of commercialisation (Monetization).

(Any 5 x 2 = 10 marks)

(b) Suggestions of measures that should be taken to promote the private sector in Uganda:

- Improve entrepreneurial skills.
- + Improve skills of labour (through training).
- + provide affordable capital / credit / loans for investment

- Improve / change (the) land tenure system. → 13 =
- Develop technology / improve techniques of production / promote technological transfer / promote tech dev't and transfer
- Widen Market (for example through joining regional economic cooperation / restrictions of imports.)
- Provide (tax) incentives to investors subsidies, investment
- Strengthen government institutions that promote / coordinate investment.
- Improve (the) political atmosphere.
- It can be promoted by fighting / controlling / reducing rate of inflation.
- Through (further) liberalisation of the economy.
- By developing infrastructure.
- Enforce copy and patent right(s) laws.
- Government Should encourage Saving.
- promote proper accountability / fight corruption.
- Monetise the economy.
- Diversify the economy
- Fight Conservatism (through sensitisation).
- privatise public enterprises / assets.
- Intensify international campaigns (to attract / induce foreign investment.)

(Any 10 x 1 = 10 marks)
