

P220/1  
ECONOMICS  
Paper 1  
Nov./Dec. 2019  
3 hours



UGANDA NATIONAL EXAMINATIONS BOARD

Uganda Advanced Certificate of Education

ECONOMICS

Paper 1

3 hours

**INSTRUCTIONS TO CANDIDATES:**

*Answer five questions only.*

*Section A is compulsory. Answers to this section should be concise.*

*Answer four questions from section B.*

*All questions in section B carry equal marks.*

*Credit will be given for use of relevant diagrams.*

*Any additional questions(s) answered will **not** be marked.*

**SECTION A (20 MARKS)**

*Answer all parts of this question.*

1. (a) (i) What is a **free market economy**? (01 mark)
- (ii) State any **three** features of a free market economy. (03 marks)
- (b) (i) Define the term **price elasticity of demand**. (01 mark)
- (ii) Calculate the price elasticity of demand, if an increase in the price of sugar from Shs2,000 to Shs2,500 per kilogram resulted in a 10% decrease in its demand. (03 marks)
- (c) (i) Outline any **two** features of the informal sector. (02 marks)
- (ii) State **two** advantages of the informal sector in an economy. (02 marks)
- (d) (i) Differentiate between **agricultural modernisation** and **agricultural mechanisation**. (02 marks)
- (ii) Mention any **two** advantages of agricultural modernisation to an economy. (02 marks)
- (e) (i) State the **marginal productivity theory of wages**. (01 mark)
- (ii) Outline any **three** assumptions of the Marginal Productivity theory of wages. (03 marks)

**SECTION B (80 MARKS)**

*Answer any four questions from this section.*

2. (a) Describe the characteristics of a monopolistic competitive market. *(08 marks)*
- (b) How do firms under monopolistic competition determine profits in the:
- (i) short-run,  
(ii) long-run? *(12 marks)*
3. (a) Explain the Malthusian population theory. *(06 marks)*
- (b) What are the limitations of the Malthusian population theory in developing countries? *(14 marks)*
4. (a) Explain the objectives of the monetary policy. *(08 marks)*
- (b) Examine the factors that influence the effective operation of the monetary policy in Developing countries. *(12 marks)*
5. (a) Why do Developing countries rely more on indirect taxes as a source of revenue? *(14 marks)*
- (b) What are the demerits of indirect taxes? *(06 marks)*
6. (a) Account for the formation of regional economic integration. *(10 marks)*
- (b) Explain the challenges of regional economic integration in Developing countries. *(10 marks)*
7. (a) Describe the features of a good economic development plan. *(08 marks)*
- (b) Explain the benefits of development planning in an economy. *(12 marks)*