

**P220/1
ECONOMICS
Paper 1
Nov./Dec. 2014
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 question(s) attempted will not be marked.

SECTION A (20 MARKS)

Answer all parts of this question.

1. (a) (i) State the law of supply. (01 mark)
(ii) Mention any **three** factors that cause a decrease in supply of goods in an economy. (03 marks)
- (b) (i) What is a dual economy? (01 mark)
(ii) State any **three** advantages of a dual economy. (03 marks)
- (c) (i) What is meant by the term import substitution strategy of industrial development? (01 mark)
(ii) State any **three** disadvantages of adopting this strategy in developing countries. (03 marks)
- (d) (i) Distinguish between **structural inflation** and **Cost-push inflation**. (02 marks)
(ii) Give any **two** causes of cost-push inflation. (02 marks)
- (e) (i) Distinguish between a **deficit budget** and a **surplus budget**. (02 marks)
(ii) State any **two** reasons why a country may prepare a deficit budget. (02 marks)

SECTION B (80 MARKS)

Answer any four questions from this section.

2. (a) Explain the importance of computing national income in an economy. (10 marks)
(b) Account for the low level of national income in developing countries. (10 marks)
3. (a) Distinguish between **shut-down point** and **break-even point** of a firm. (04 marks)
(b) Why may a firm continue operating even if its revenue does not cover the fixed costs? (10 marks)

4. (a) Why is there a need to stabilise prices of agricultural products in an economy? *(08 marks)*
- (b) Describe the measures that should be adopted to stabilise prices of agricultural products in developing countries. *(12 marks)*

5. Study the table below and answer the questions that follow:

Commodity	Base year prices 2010	Base year simple index	Current year prices 2013	Weight
Sugar (kg)	1500	100	2100	4
Beans (kg)	300	100	450	3
Rice (kg)	1200	100	1500	2
Bread (½ kg)	1200	100	1800	1

- (a) Calculate the:
- (i) simple price index, *(02 marks)*
- (ii) average price index, *(02 marks)*
- (iii) weighted price index *(02 marks)*
- for the year 2013.
- (b) Explain the uses of price indices in an economy. *(14 marks)*
6. (a) Why is it necessary to formulate an economic development plan in a country? *(08 marks)*
- (b) Explain the factors that limit successful implementation of economic development plans in developing countries. *(12 marks)*
7. (a) What is a parastatal organisation? *(02 marks)*
- (b) Describe the role of parastatal organisations in an economy. *(18 marks)*