P220/1
ECONOMICS
Paper 1
Nov./Dec. 2017
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.*

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SECTION A (20 MARKS)

Answer **all** *parts of this question.*

1. (a) (i) What are **public goods?** *(01 mark)*

(ii) Outline any **three** challenges faced by your country when providing public goods. *(03 marks)*

(b) (i) State the law of diminishing returns. *(01 mark)*

(ii) Give any **three** assumptions of the law of diminishing returns. *(03 marks)*

(c) (i) State the **Big-push theory** of economic growth. *(01 mark)*

(ii) Mention any **three** benefits of adopting the Big-push theory in developing countries. *(03 marks)*

(d) (i) Define the term **credit multiplier.** *(01 mark)*

(ii) Given an initial deposit of Shs 750,000 and a cash ratio of 20%, calculate the total credit created. *(03 marks)*

(e) (i) What is meant by the term **trade diversion?** *(01 mark)*

(ii) Give any **three** effects of trade diversion in an economy. *(03 marks)*

SECTION B (80 MARKS)

Answer any **four** *questions from this section.*

2. (a) Why may a government impose price controls in an economy? *(10 marks)*

(b) Examine the implications of price controls in an economy. *(10 marks)*

3. (a) Given that in a two sector economy;

Marginal propensity to consume = 0.75,

Investment = US$ 5 billion,

Income US$ 250 billion.

(i) Calculate the value of the multiplier. *(02 marks)*

(ii) If investment increases by US $ 1 billion, determine the new equilibrium level of National income. *(02 marks)*

(b) Assess the factors that determine the level of National income in an economy. *(16 marks)*

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4. (a) Why is there need for industrialisation in less developed countries? (*10 marks*)

(b) Explain the problems faced by the industrial sector in less developed countries. (*10 marks*)

5. (a) Distinguish between **over-population** and **optimum population**. (*04 marks*)

(b) Assess the implications of over-population in an economy. (*16 marks*)

6. (a) Explain the causes of open-urban unemployment in an economy. (*10 marks*)

(b) Suggest measures that can be adopted to reduce open-urban unemployment in an economy. (*10 marks*)

7. (a) What is the role of the National budget in an economy? (*10 marks*)

(b) Suggest measures that should be taken to control budgetary deficits in developing countries. (*10 marks*)

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