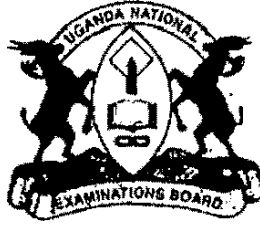


**P220/1**  
**ECONOMICS**  
**Paper 1**  
**Nov./Dec. 2017**  
**3 hours**



**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.*

## 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)

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)