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)