

P220/1
Economics
Paper 1
July/Aug 2019
3hrs

Uganda Advanced Certificate of Education
S.6 Economics Internal Mock 2019
P220/1
TIME: 3 HOURS

Instructions to candidates

- Answer **five** questions
- Section **A** is compulsory. Answers to this section should be precise and concise
- Answer **four** questions from section **B**
- Any additional question(s) answered will not be marked
- All questions in section **B** carry equal marks
- Credit will be given for use of relevant diagrams
- Any additional question(s) answered will not be marked

SECTION A (20MARKS)

- 1.a) (i) Define cross elasticity of supply (1mk)
(ii) A price of a commodity 'N' increased from 2500/= to 4000/=, quantity supplied of 'S' decreased from 20kgs to 12kgs respectively.
Calculate the cross elasticity of supply; How are these commodities related and why? (3mks)
- b) (i) Differentiate between casual and residual unemployment (2mks)
(ii) State any two effects of unemployment in an economy (2mks)
- c) Give four advantages of a minimum wage. (4mks)
- d) (i) What is devaluation? (1mk)
(ii) Identify three necessary conditions for devaluation to solve a balance of payment problem in an economy. (3mks)
- e) (i) Differentiate between a reproductive debt and a deadweight debt. (2mks)
(ii) Explain two methods of managing a public debt in an economy. (2mks)

SECTION B (80MARKS)

- 2.a) Distinguish between Maximum Price legislation and Minimum price legislation. (4mks)
b) Why may the government be reluctant to use price controls in an economy? (16mks)
- 3.a) Explain the equilibrium position of a firm under perfect competition both in the short run and long run. (8mks)
b) Discuss the advantages and disadvantages of a perfectly competitive market (12mks)
- 4.a) Differentiate between disposable income and per capita income. (4mks)
b) What are the limitations of using per capita-income to compare standards of living between countries? (16mks)
- 5.a) Explain clearly the procedure through which commercial banks create credit (illustrate your answer) (8mks)
b) Describe the factors which limit credit creation process by commercial banks in a country (12mks)
- 6.a) Differentiate between a surplus budget and deficit budget (4mks)
b) Explain the significance of a national budget in an economy (16mks)
- 7.a) Explain the comparative cost advantage theory (2mks)
b) Identify six assumptions of comparative cost advantage theory (6mks)
c) What are the limitations of the comparative cost advantage theory of international trade?. (12mks)

THE END