P220/1
ECONOMICS
Paper 1
3 hours

STANDARD HIGH SCHOOL ZZANA

Uganda Advanced Certificate of Education

ECONOMICS

Paper 1

3 hours

INSTRUCTIONS TO CANDIDATES:

Attempt **five** *(5) questions only.*

Section **A** *is compulsory. Answers to this section should be* **precise** *and* **concise***.*

Answer **four** *(4) questions from section* **B***.*

All *questions in section* **B** *carry* **equal** *marks.*

Any additional question(s) attempted will **not** *be marked.*

Credit will be given for use of relevant diagrams.

Turn Over

SECTION A: (20 marks)

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

1. (a) (i) Distinguish between a "**mixed economy**" and '**dual economy**'.
   (02 marks)

   (ii) Mention any **two** merits of **dualism** in an economy. (02 marks)

   (b) (i) Differentiate between **average propensity to consume (APC)** and **marginal propensity to consume (MPC).** (02 marks)

   (ii) Given that a country's total income is shs 90,000 billion, MPC is 60% and its total consumption is shs 45,000 billion, calculate its **APC**.
   (02 marks)

   (c) (i) What is meant by '**vent for surplus theory**' as used in international trade? (01 mark)

   (ii) Give any **three merits** of **international trade** in an economy.
   (03 marks)

   (d) (i) What is meant by the term '**value of money**'? (01 mark)

   (ii) Mention any **three** factors that **reduce the value of money** in an economy. (03 marks)

   (e) (i) Distinguish between '**expansionary fiscal policy**' and '**restrictive fiscal policy**' (02 marks)

   (ii) State any **two tools** of **expansionary fiscal policy** in an economy.
   (02 marks)

2. (a) Examine the **importance** of **price mechanism** in the allocation of resources in an economy. (10 marks)

    (b) Why may **price mechanism be interfered** with in the allocation of resources in an economy? (10 marks)

3. (a) Study the table below and answer the questions that follow;

Commodity	Prices (2015)	Simple price index (2015)	Prices (2016)	Weight
Sugar (kg)	1500	100	1800	2
Soap (bar)	400	100	650	5
Fish (kg)	800	100	1000	3
Rice (kg)	1000	100	1200	1
Cooking oil (litre)	750	100	900	4

   Calculate the;

    (i)   simple index for 2016, (06 marks)

    (ii) weighted index for 2016, (06 marks)

    (b) Examine the **challenges** faced in the **computation of price indices** in an economy. (08 marks)

4. (a) Distinguish between '**labour - intensive**' and '**capital - intensive**' techniques of production. (04 marks)

    (b) Assess the **merits** and **demerits** of adopting **labour – intensive** techniques of production. (16 marks)

Turn Over

5.　(a)　Explain the **quantity theory of money**. (06 marks)

　　(b)　What are the **limitations** of the **quantity theory of money**? (14 marks)

6.　(a)　Distinguish between **centralised planning** and **decentralised planning**. (04 marks)

　　(b)　Why is **economic development planning** a **prerequisite** in an economy? (16marks)

7.　(a)　Distinguish between '**taxation financing**' and '**debt financing**'. (04 marks)

　　(b)　Analyse the **merits** of **borrowing** over **taxation** in an economy. (16 marks)

END