

P220/1
Economics
Paper 1
Nov 2020
3 hours

ST. MARYS' KITENDE
Uganda Advanced Certificate Of Education
RESOURCEFUL MOCK EXAMINATIONS 2020
ECONOMICS
PAPER 1
Time: 3 HOURS

Instructions:

- Answer **five** questions only.
- Section **A** is **compulsory**. Answers to this section should be precise.
- Answer **four** (4) questions from section B.
- **All** questions in section B carry **equal** marks.
- Credit will be given for use of **relevant** diagrams.

For Examiner's use only.

QUESTION	MARKS
SECTION A	
TOTAL	

SECTION A: (20 marks)

*Answer **all** questions from this section.*

1. a) i) Distinguish between Normal and Economic profits. (2 marks)
ii) Give two causes of a decrease in the amount of profits earned by a firm in an economy. (2 marks)
- b) i) Define the term Investment Multiplier. (1 mark)
ii) Given that the change in national income is shs 450 billion and Marginal propensity to consume is 75%. Calculate the change in investment expenditure. (3 marks)
- c) i) Define the term Money. (1 mark)
ii) Give three causes of an increase in demand for money. (3 marks)
- d) i) Distinguish between suppressed inflation and bottleneck inflation. (2 marks)
ii) Give two remedies of bottleneck inflation in an economy. (2 marks)
- e) i) Distinguish between divestiture and nationalization. (2 marks)
ii) State any two challenges arising from divestiture of public enterprises. (2 marks)

SECTION B

*Answer only **four** (4) questions.*

2. a) Explain the role of the price mechanism in the allocation of resources in an economy. (10 marks)
- b) Explain the steps that can be taken to improve the performance of price mechanism in the allocation of resources in an economy. (10 marks)
3. a) How do firms under perfect competition maximize profits in;
i) Short run (6 marks)
ii) Long run (6 marks)
- b) Explain the merits and demerits of perfect competition on an economy. (8 marks)
4. a) What is meant by under development? (4 marks)
- b) Explain the indicators of economic development in developing countries. (16 marks)

5. a) Explain the procedures followed when computing a weighted consumer price index in an economy. (8 marks)

b) What are the benefits of calculating consumer price index in an economy? (12 marks)

6. a) Explain Irving Fisher's Quantity Theory of money. (6 marks)

b) What are the limitations of Quantity Theory of money? (14 marks)

7. a) Account for the high rates of structural unemployment in developing countries. (8 marks)

b) Suggest policy measures that can be taken to reduce unemployment in an economy. (12 marks)

END