

P220/1  
ECONOMICS  
Paper 1  
3 hours

## WAKISSHA

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 *precise and 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) answered will **not** be marked.

## SECTION A (20 MARKS)

Answer **all** parts of this question

1. (a) (i) Differentiate between **market clearing price** and **price mechanism** (02marks)  
(ii) Give any **two** method of price determination in an economy. (02marks)
- (b) (i) Define **Marginal Propensity to Save**. (01mark)  
(ii) Given that an individual's income increased from Shs. 300,000 to Shs. 450,000 and this led to an increase in savings by Shs. 50,000  
Calculate the marginal propensity to save. (03marks)  
(iii) What is **Absorptive capacity** as applied to foreign Aid? (01mark)  
(iv) State any **three** causes of low absorptive capacity in an economy. (03marks)
- (d) (i) Differentiate between **under population** and **optimum population**. (02marks)  
(ii) Mention any **two** dangers of a big population size in an economy. (02marks)
- (e) (i) What is meant by the term **Divestiture**? (01mark)  
(ii) Outline any **three** ways of privatizing public enterprises in an economy. (03marks)

## SECTION B (80 MARKS)

Answer any **four** questions from this section.

2. (a) Distinguish between **Joint supply** and **Competitive supply**. (04marks)  
(b) Explain the factors that may lead to a fall in supply of commodities in an economy. (16marks)
3. (a) Describe the features of an **Oligopoly market**. (06marks)  
(b) How is output, price and profit determined under oligopoly markets in the short- run? (06marks)  
(c) Discuss the positive impact of oligopoly in an economy. (08marks)
4. (a) Differentiate between a **positive output gap** and a **negative output gap**. (06marks)  
(b) Suggest measures that can be used to close;  
(i) **An inflationary gap**. (07marks)  
(ii) **A deflationary gap**. (07marks)
5. (a) What is meant by an **economic development strategy**? (02marks)  
(b) Explain the limitations of export promotion strategy of industrial development. (18marks)
6. (a) Distinguish between **public debt** and **public expenditure**. (04marks)  
(b) Why do developing countries prefer deficit financing to taxation financing? (16marks)
7. (a) What is the rationale of devaluation of currency in an economy? (06marks)  
(b) Under what circumstance may devaluation fail to achieve its objectives in an economy? (14marks)

END