



JINJA JOINT EXAMINATIONS BOARD

MOCK EXAMINATIONS 2022

ECONOMICSP220/1

MARKING GUIDE

SECTION A: 20 MARKS

- 1 (a) i Composite demand is the demand for a commodity with several or many Uses. (01 mark)

While

Joint demand is the demand for goods that are used together such that in the absence of one the other can't satisfy the want. (01 mark)

- ii Two examples of complementary demanded goods are:-

- Car and fuel
- Fountain pen and ink
- Gun and bullets
- Mobile phone and airtime

Any 2 x 1 = (02 marks)

- (b) i Horizontal merging is where 2 or more firms in the same industry and at the same stage / level of production come together to tap economies of scale.

(01 mark)

Whereas

Lateral merging is where 2 or more firms producing products that are related but not the same come together. (01 mark)

- ii Reasons for merging of firms

- To achieve monopoly power in production
- To enjoy economies of scale / expand output
- To achieve efficiency in management
- To reduce costs of production as they are shared
- To minimise duplication of products

Any 2 x 1 = (02 marks)

- (c) i Privatisation is the transfer of ownership, control and management of firms/ assets from government to individuals/ private sector. (01 mark)

- ii **THREE** merits of privatisation

- Increases output levels hence economic growth
- Contributes to government revenue
- Widens consumer choice

- Reduces government expenditure by way of subsidies
- Reduces dependence on imports
- Increases employment opportunities on the long run
- Improves on quality of output ETC.

Any 3 x 1 =(03 marks)

- (d) i Disguised unemployment is one where labour force is full time and actively involved in productive activities but the marginal product is zero or negative

(01mk)

While

Frictional unemployment is one where labour force is un employed while in the process of changing from one job to another.

(01mk)

- ii Two causes of disguised unemployment:-

- Poor land tenure system
- Discrimination on jobs that leads to over recruitment for a job.
- Limited capital to keep labour optimally employed.
- High population growth rates that create excess labour for available jobs.
- Poor man power planning by government.
- Inadequate skills required for a given job.

Any 2 x 1 =(02 marks)

- (e) i Public revenue is the total income of the government obtained from different sources to run its activities.

(01mk)

- ii THREE sources of public revenue:-

- Taxes / taxation
- Fees
- Fines and penalties
- Gifts / Donations / Grants
- Loans
- Licences
- Privatisation
- Rates
- Market dues ETC

Any 3 x 1 =(03 marks)

SECTION B: 80MARKS

- 2 (a) Price elasticity of demand is the measure of the degree of responsiveness of quantity demanded of a commodity to a change in the price of the commodity. (02 marks)

While

Elasticity of demand is the measure of the degree of responsiveness of quantity demanded of a commodity to change in any of the factors that affect demand for a commodity. (02 marks)

- (b) Explaining the factors that influence price elasticity of demand:-

- Availability of substitutes
- Availability of complements
- Level of income of the consumer
- Degree of necessity of the commodity
- Level of addiction in the use of the commodity
- Number of uses of the commodity
- Time period – short run and long run
- Price levels
- Level of convenience of getting the commodity
- Possibility of postponement of demand for the commodity
- Level of durability of the commodity
- Seasonal changes
- Level of advertising

Any 8 x 2 = (16 marks)

- 3 (a) Describing features of monopolistic competition:-

- Existence of free entry and exit
- Existence of many buyers and sellers
- Elastic demand curve
- Firms produce differentiated products
- Existence of brand loyalty by consumers
- Firms are price makers to a certain extent
- Existence of excess capacity
- Wide spread of persuasive advertisement
- Profit maximization is the major goal of production

Any 8 x 1 = (8marks)

- (b) Merits of monopolistic competition firm

- Leads to high output levels
- It leads to high quality of output
- Leads to production of a variety of products
- Provides more employment opportunities
- Generates revenue for the government

- Enjoys a wider market due to persuasive advertising
- Firms can early expand their sizes by use of abnormal profit

Any 6 x 1 = (6 marks)

Demerits

- Firms earn low profit in the long run
- Firms face high costs of production due to high expenditure on advertising
- Firms operate at excess capacity hence wastage of resources
- Leads to unemployment due to exit of inefficient firms
- Leads to duplication of products
- Consumers are exploited by way of misleading persuasive advertisements.
- Leads to small market share due to competition by many firms

Any 6 x 1 = (6mks)

- 4 (a) Standard of living is the material wellbeing of an individual or society at a given time or Is the condition of life in which people live in a country
(02mks)

While

Cost of living is the total amount of money required by an individual to sustain a life style one is accustomed to. (02mks)

- (b) Limitations of using income per capita to compare standards of living in a country overtime.

It does not take into account:

- Changes in price levels overtime
- Changes in the quality of goods produced overtime
- Changes in the distribution of incomes over time.
- Changes in the number of hours worked over time
- Changes in working condition overtime.
- Changes in political climate overtime
- Changes in the types of goods produced
- Change in taxation levels of overtime
- Changes in pollution overtime.
- Changes in unemployment level overtime

Any 8 x 2 = (16mks)

- 5 (a) Reasons for cost push inflation in LDCs
- Rising price of imported raw materials
 - Rising wages/ salaries of workers
 - Rising tax levels on producers

- Increasing interest rates on borrowed money by firms
 - Rising costs of advertising by firms
 - Rising prices of power/ energy
 - Increasing transport costs due to rising prices of fuel
 - Rising costs of rent on storage facilities
 - Depreciation of the local currency raises the costs of imported products
- Any 8 x 1 = (08mks)

(b) Effect of hyperinflation in an economy

- Discourage savings
- Lead to suffering of fixed income groups
- Discourages investments
- Leads to a fall in people's standard of living
- Creates losses for lenders (creditors)
- Makes the government lose popularity
- Distorts government plan implementation
- Worsens the unemployment problem
- Worsens the B.O.P problem
- Promotes illegal activities
- Promotes brain drain
- Leads to industrial strikes
- Leads to high cost of production
- Retards economic growth rates
- Leads to loss of confidence in the country's currency.

Any 12 x 1 = 12mks

- 6 (a) A prospective plan refers to long term plan that sets its targets to cover a period of ten or more years in the economy (02mks)

Whereas

A comprehensive plan is one drawn to set its targets to cover the entire national economy / all sectors of the economy (02mks)

(b) Problems in formulation of development plans in developing countries

- Inadequate funds
- Inadequate necessary statistical data
- Limited supply of skilled labour
- High rates of inflation
- Over ambitious plan objectives
- Corruption among officials
- Political instability
- Poorly developed infrastructure
- Non-responsive growing private sector

- Limited government will/ commitment
- Interference by government/ politicians
- Over dependence on foreign aid
- Unanticipated natural calamities
- Limited public support

Any 8 x 2 = (16mks)

- 7 (a) Protectionism is an economic policy of restricting trade between nations through barriers like import quotas

(02mks)

- (b) Reasons for protectionism: in LDCs
- To protect infant domestic industries from foreign competition
 - To discourage dumping
 - To improve on the B.O.P promotion
 - To promote self-sufficiency / reduce external resource dependence
 - To raise revenue for the government
 - For purposes of creating employment at home
 - To discourage importation of demerit goods
 - To control imported inflation
 - To improve on the country's terms of trade.
 - To encourage utilisation of a country's local resources
 - To encourage investment in the country.
 - To minimise political control by foreigners
 - For purposes of retaliation

Any 9 x 2 = (18mks)