



JINJA JOINT EXAMINATIONS BOARD

MOCK EXAMINATIONS 2022

ECONOMICS P220/2

MARKING GUIDE

SECTION A (20Marks)

1a) (i) Commercial rent is the payment on a durable asset/property for hire in a given period of time. (1mark)

While

Quasi rent is the extra payment given to a factor input over and above the supply price when the factor has inelastic supply in the short run but the supply becomes elastic in the long run. (1mark)

(ii) Determinants of commercial rent in Uganda

- Demand for the property
- Time taken to use the property
- Seasonal factor
- Nature of infrastructure
- Rate of inflation
- Purpose of hiring
- Political climate
- Quality of the asset
- Number of suppliers/competition in the market
- Availability of the property
- Government policy of taxation and subsidization
- Distance covered

Any 2x1=(2marks)

(b)i) Multiplier principle of investment states that an initial change in consumption expenditure multiplies itself to bring a final change in national income. (1mark)

While

Acceleration principle of investment states that an initial change in consumption expenditure multiplies itself to bring a final change in investment. (1mark)

ii) Change in investment = Change in income (I-MPC) (1mk)

$$=400b(I-0.8) \text{ (1/2mk)}$$

$$=400b (0.2)$$

$$=\text{Shs. } 80\text{billion (1/2mk)}$$

c) (i) Absolute poverty is a situation where an individual or group of individuals is only able to meet the bare subsistence needs of life to maintain a bare minimum level of living. (1mark)

(ii) Three social indicators of poverty in Uganda.

- High level of illiteracy
- High level of conservatism/cultural rigidities
- Low life expectancy
- Poor housing/accommodation
- High infant mortality rate
- Existence of social dualism
- High level of malnutrition
- High preference for foreign values.

Any 3x1=(3marks)

d) (i) A public corporation is government business enterprise established by Act of parliament in which government either holds all the share capital or majority share capital. (1mark)

(ii) Three roles of public corporations in Uganda.

- Creation of employment opportunities
- Promotion of economic growth
- Source of government revenue
- Provision of merit goods
- Promotion of balanced regional development
- Promotion of equitable income distribution
- Reduction in external dependence
- Development of infrastructure
- Promotion of industrialization
- Development of labour skills
- Development of managerial skills
- Promotion of price stability

Any 3x1=(3marks)

e. Demerits of sectoral planning in Uganda

- Limits job opportunities
- Limits linkage of the sectors
- Discourages resourceutilization
- Leads to low government revenue
- Causes unbalanced regional development
- Worsens income inequality
- Encourages sectoral dependence

Any 4x1=(4marks)

SECTION B

2(a) Factors that affect the rate of economic growth

- Land tenure system
- Labour skills
- Size of market
- Size of capital
- Entrepreneurial skills
- The technology used
- Political climate
- Government policy on investment
- Rate of inflation
- Level of corruption/accountability
- Supply of raw materials
- Nature of infrastructure
- Level of monetization
- Level of savings
- Attitude to work
- Population growth rate
- Degree of conservatism

Any 6x2=(12marks)

(b) Measures to promote economic growth

- Reform land tenure system

- Develop labour skills
- Develop entrepreneurial skills
- Develop infrastructure
- Offer affordable loans to investors
- Control inflation rate
- Maintain political stabilities
- Expand market size
- Fight/control corruption
- Promote monetization of the economy
- Promote trade liberalization
- Promote privatization of the public enterprises
- Control population growth rate
- Sensitize the general public against cultural beliefs
- Exploit the available resources to increase supply of raw materials
- Promote technology transfer and technology development

Any 8x1=(8marks)

3(a) Structure of Uganda's population

- Mainly rural based
- Dominated by young age group
- Females are more than males
- High illiteracy rate
- High population growth rate
- Un even population distribution
- Mainly employed in primary production.
- A big proportion of the population lives below international poverty line.
- Labour force is dominated by unskilled and semi-skilled labour.

Any 8x1=(8marks)

b). Positive implications of the structure of Uganda's population.

- High potential for labour force/supply
- High market potential
- High potential for government tax revenue
- Promotes innovations and creativity
- Promotes initiative and effort to work
- Promotes resource utilization
- Awakens government to its responsibility of providing infrastructure to the population

- Promotes investment
- Reduces per capita social overhead cost

Any 6x1=(6marks)

Negative Implications

- Leads to low labour efficiency/productivity
- Increases dependency burden/ratio
- Increases unemployment and under employment
- Worsens BOP problem
- Increases external resource dependence
- Causes over utilization of available resources
- Causes over straining of infrastructure
- Effective planning by government becomes difficult
- Increases social costs
- Worsens income inequality
- Encourages rural urban migration and its problems.
- Increases government expenditure
- Leads to loss of professional skilled labour to other countries through brain drain
- Limits effective domestic market
- Exerts pressure on land

Any 6x1=(6marks)

4(a) Why it is difficult to achieve full employment.

- Poor education system
- Technological progress
- Poor land tenure system
- Discrimination in labour market
- Changes in climate/seasons
- High population growth rate
- Rural urban migration
- Ignorance of labour of existing job opportunities
- Physical and mental disabilities
- Inadequate capital

- Small market size
- Under developed infrastructure
- Limited entrepreneurial skills
- Large subsistent sector
- Low level of accountabilities
- Breakdown of firms/production process
- Un favorable government policy on investment
- Application of SAPS

Any 10x1=(10marks)

(b) Effects of unemployment in Uganda

- Loss of acquired skills
- Limits government tax revenue
- Worsens income inequality
- Limits economic growth
- Increases government expenditure Increases social evil activities
- Causes rural urban migration and its evils
- Creates social tension in families
- Causes political discontent
- Discourages investment in education
- Discourages resource utilization
- Increases dependence ratio/burden
- Leads to loss of skilled labour to other countries through brain drain
- Limits the amount of consumption hence lowering living standards
- Discourage production/limits demand

Any 10x1=(10marks)

5(a) Attributes of a good tax

- Should be convenient
- Should be comprehensive
- Should be certain
- Should be productive
- Should be consistent
- Should be flexible
- Should be simple
- Should be equitable
- Should be neutral
- Should avoid double taxation

- Should have built in stabilizer
- Should be economical

Any 10x1=(10marks)

(d) Role of taxation to the economic development.

- Source of government revenue
- Promotes equitability/even income distribution
- Controls inflation
- Protects local firms against foreign competition
- Reduces BOP problem
- Controls monopoly power
- Helps to influence investment
- Controls dumping
- Promotes employment opportunities
- Promotes resource utilization
- Increases economic growth rate
- Discourages production and consumption of demerit goods
- Promotes hard work amongst the population

Any 10x1=(10marks)

6(a) Description of the process of credit creation

- Receiving deposits from customers (1mark)
- Keeping the cash ratio. (1mark)
- Lending the remaining proportion or amount to customers through the second bank. (1mark)
- Second bank keeps the fixed cash ratio and lends the remaining amount to customers through the third bank. (1 mark)
- The process continues until the initial deposit diffuses in the process. (1mark)
- Total deposit created=Initial deposit x $1/CR$ (1mark)

Total=(6marks)

(b) Factors that affect credit creation in Uganda

- Cash ration requirement
- The interest rate charged on loans
- Size of initial deposit
- Degree of liquidity preference by the people

- Level of investment
- Level of savings
- Monetary policy of the central bank
- Distribution of commercial banks
- Degree of uncertainties
- Level of corruption in commercial banks
- Number of credit worthy borrowers
- Political climate
- Income levels of the people
- Availability of collateral by the people
- Degree of ignorance about facilities offered in commercial banks
- Level of subsistence production

Any 7x2=(14marks)

7 (a) Trade liberalization is the removal of unnecessary controls on trade thereby giving individuals liberty to trade without undue government control or interference to increase value, volume and benefits of trade (2marks)

While

Trade protection is government policy of limiting tradewith other countries (2marks)

(b) Positive implications of trade liberalization

- Increases employment opportunities
- Promotes economicgrowth
- Promotes resource utilization
- Attracts technology transferand technology development/promotes innovations and creativity
- Promotes high quality output
- Increases government revenue
- Tends to control inflation
- Improves BOP position
- Reduces income inequality
- Upholds consumer sovereignty
- Fights/controls corruption
- Promotes efficiency of firms
- Attracts foreign capital
- Increases consumers' choices for goods
- Promotes industrialization/ economic diversification
- Promotes the development of infrastructure

- Promotes the development labour skills
- Promotes the development of entrepreneurship
- Controls monopoly power
- Improves relationship with other countries especially donors.

Any 10x1=(10marks)

Negative Implications

- Encourages price/economic instabilities
- Causes unemployment
- Causes over utilization of the resources
- Worsens BOP position
- Encourages externalresources dependence
- Causes duplication and wastage
- Causes resource misallocation
- Leads to collapse of local firms
- Distorts consumers' choices
- Consumers are over exploited
- Causes foreign economic dominance
- Encourage capital outflow
- Gives rise to monopoly and its problem
- Worsens income in equality
- Causes social costs
- Exposes consumers to harmful products
- Discourages provision of public/merit goods

Any 6x1=(6marks)

END