**JINJA JOINT EXAMINATIONS BOARD**

**(JJEB)**

**P220/2. ECONOMICS**

**PAPER 2**

**MARKING GUIDE 2019**

**SECTION A(20 MARKS**)

1. (a) Four merits of the economic system in Uganda.

* Provision of better quality goods and services.
* Provision of variety of goods and services and increased consumers choices.
* Promotes economic growth /increased GDP
* Provision of large employment opportunities
* Promotes resource utilisation
* Promotes economic stability/price stability
* Minimises over utilisation of the available resources
* Provision of basic goods and services to the people
* Minimises consumer exploitation by profit minded producers.

**Any 4 x 1 =4 marks**)

(b) (i) Operating cost refers to cost/expense of production that

varies /changes directly with the change in the level of output produced. (1marks)

(ii) Effects of operating cost of production

* Discourages investment
* Discourages resources utilisation
* Limits economic growth
* causes inflation/increase in prices
* causes unemployment/closure of firms
* worsens B.O.P problem
* limits the profits /Discourages firms from expanding /limits economies of scale

**Any 3x1 =(3marks**)

(c) (i) Technology transfer , is the movement /shift of new and

better methods of production/ Technology from one economy to another. (1mk)

**While**

Technology development is the process of initiating, introducing and improving the local /indigenous technology. (1mk)

(ii) Factors limiting the development of technology in Uganda.

* Limited labour skills
* Limited entrepreneurial skills/limited innovations and creativity
* limited capital/income
* High level of conservation /cultural attachment
* High level of corruption
* poor infrastructure
* political unrests/instability
* foreign sabotage/patent rights
* High level of technology transfer.

**Any 2 x 1 (2 marks)**

(d) (i) Stagflation refers to a situation where there is high rate of

Inflation existing along side high level of unemployment in an economy. (1 mk)

**While**

Suppressed inflation is a situation where aggregate demand exceeds aggregate supply but govt applied price control and rationing to main price stability. (1mk)

(ii) Two costs of stagflation

* Encourages brain drain
* Discourages savings
* Discourages investment
* Worsens the problem of income inequality
* leads to resentment and unpopularity of the govt in power
* Encourages illegal/ evil activities
* leads to consumption of low quality products/ reduction in amount of goods and services consumed.
* Encourages rural urban migration and the problems
* causes social distress/social tension amongst families.

**Any 2x1 = (2mks)**

(e) (i) Currency depreciation is the loss/decline in the value of

local currency in relation to the value of other currencies /foreign currencies in free foreign exchange market.

**OR** It is the loss in the value of the local currency in relation to other/foreign currencies under forces of demand and supply in foreign exchange market. (1mk)

(ii) New exchange rate = Old exchange rate + Value depreciated

= 3720 + (1mk)

=3720+ 186 = shs 3906 for 1 $ (1mk)

**SECTION B (50 MARKS)**

2. (a) Per capita income is the average income of individuals of a

Country in a given period of time.

**OR**

It is the ratio of the National income to the total population size of a country in a given period of time. (2mks)

**While**

Disposable income is the income available to an individual after the deduction of taxes and other compulsory payments. (2 marks).

(b) Reasons for the uneven income distribution in Uganda.

* Differences in the level of education and skills
* variations in experience of the works
* variations in natural abilities/talents
* Discrimination in labour market
* Differences in resource availability
* variations in political climate
* Difference in infrastructural development
* Variations in the nature of jobs/risks involved
* variations in the cost of living
* Variations in the amount of work done
* variations in the amount of time taken
* variations in the bargaining power of individual workers with their employers
* variations in the trade unions ability to bargain for wage increments
* Differences in social /family back ground
* Differences in employers’ ability to pay their workers.
* Variations in credit facilities
* Non –uniform govt income/wages
* Differences in the elasticity of labour supply.

**Any 8x2 =(16mks)**

3. (a) The need to promote small scale industrialisation in Uganda.

* To provide employment opportunities
* To increase economic growth/GDP
* To provide variety of products so as to increase consumers’ choices.
* To reduce income inequality
* To develop labour skills
* To develop entrepreneurial skills
* To increase govt revenue
* To encourage economic diversification
* To create linkage effect
* To encourage technological development
* To reduce external dependence
* To improve B.O.P position
* To increase resource utilisation
* To provide affordable /cheap products to low income people.
* To promote the development of the industrial sector.

**Any 10 x1 =(10mks)**

(b) Challenges facing the industrial sector in Uganda.

* Limited capital
* poor land tenure system
* Limited labour skills
* Limited entrepreneurial skills
* Poor infrastructure
* political instability /unrests
* poor technology used
* unfavourable govt policy on investment
* high inflation rate
* Limited market size
* High level of corruption
* Limited exploitation of the available resources
* Industrial unrests/strikes
* Limited linkages with other sectors.
* High level of conservatism
* Increased capital out flow.

**Any 10x1=10mks)**

4. (a) Features of the private sector in Uganda.

* Mainly profit oriented
* Mainly operate on small scale
* Mainly urban based
* Mainly employs unskilled and semiskilled labour
* Mainly employs labour intensive technology
* Mainly produces low quantity out put
* Mainly operates at excess capacity
* Mainly produces for home/domestic market
* Mainly produces consumer goods
* Mainly sole proprietorship businesses
* High reliance on price mechanism
* Mainly produces low quality output

**Any 10x1 =(10mks)**

4. (b) Role of the private sector to the economic development of Uganda.

* Provides high quality products
* Promotes consumers’ choices/wide variety of products
* Promotes resource utilisation
* Promotes econ-growth/increased GDP
* Promotes innovations and creativity
* Provides large employment opportunities
* Source of govt revenue
* Promotes the development of labour skill
* Promotes the development of entrepreneurial skills
* Encourages monetisation of the economy
* Promotes the development of infrastructure
* Promotes industrial development
* Reduces govt expenditure
* Reduces economic dependence
* Promotes economic diversification
* Reduces BOP problem
* Provides capital to investors
* Attracts foreign capital

**Any 10x1= (10mks)**

5. (a) Tools of monetary policy are the instruments or guide lines

employed by the govt through the central bank to control or regulate money supply in circulation so as to influence economic activities to achieve set objectives (2mks)

eg.

* Price stability
* B.O.P stability
* increased employment
* increased economic growth etc (2mks)

5. (b) Tools of monetary policy used by the CB to control inflation in

Uganda.

* Increased bank rate policy
* Selling of govt securities
* Use of selective credit control
* High legal reserve requirement
* Increased margin requirement
* Increased cash ratio/liquidity ratio
* Rationing of credit
* Moral suasion/moral persuasion
* Increased special deposits
* Use of currency reforms

**Any 8x2 =(16 mks)**

6. (a) Causes of unemployment in Uganda

* Technological progress/advancement
* changes in season/climate
* poor education system
* Rural urban migration
* Political unrest/instabilities
* poor infrastructure
* Mental and physical disabilities
* limited market size
* limited capital
* High rate of inflation
* Labour changing jobs
* poor land tenure system
* Ignorance about existing jobs
* poor man power planning
* Discrimination in labour market
* Changes in the structure of the economy or changes in taste/demand
* High level of bureaucracy in acquiring jobs
* unfavourable govt policy on investment
* High population growth rate
* *SAPS*

**Any 10x1 = (10 mks)**

(b) Measures that have been taken to *reduce* unemployment problem

in Uganda.

* Improved/maintained political stability
* Developed infrastructure
* Expanded market size
* promoted education reforms
* controlled population growth rate
* Encouraged privatisation of public enterprises
* Encouraged economic liberalisation
* provided affordable loans/credit facilities to individuals
* Advertised jobs
* Provided investment incentives
* Promoted agric modernisation/diversification
* controlled inflation
* Encouraged exportation of labour
* Encouraged the use of appropriate technology
* Promoted institutions that speed up investment programmes e.g UIA
* Provided programmes for the people with special needs.

**Any 10x1 =(10mks)**

7. (a) Taxable capacity is the extent to which a tax payer is able to pay the tax assessed on him or her and yet remain with enough disposable income to sustain him or her and the family, and maintain a given standard of living.

**OR** The extent to which a tax payer is able to pay the tax assessed on him or her and yet remain with enough disposable income to afford his or her needs and the needs of the family as before the tax.

**OR** It refers to the ability of the govt to raise its revenue from taxation without causing economic, social and political problems on the economy. (2 mks)

**While**

Taxable base refers to an item or firm or institution or individual on which or whom a tax is levied. (2mks)

(b) Positive impact of taxation in Uganda

* Source of govt revenue
* promotes even /equitable income redistribution
* Protects local firms from foreign competition.
* Controls inflation
* Reduces BOP problem
* Discourages the production and consumption of demerit goods
* Controls monopoly power
* Helps to influence investment or resource allocation.
* Helps to influence or promote economic growth.
* Promotes hard work amongst individuals
* Controls dumping of goods into the country.

**Any 8x1 =18mks)**

Negative impact of taxation

* Discourages savings
* Discourages investment
* Encourages evil or illegal activities
* worsens inflation rate
* Discourages initiative and effort to work
* Reduce volume and benefits of trade
* causes unemployment
* worsens income inequality.
* Reduces real income and encourages consumption of low quality products
* causes resentment amongst population making the govt unpopular
* Causes misallocation of resources.
* Causes inefficiency amongst local firms.

**Any 8x1 =(08 mks)**

**End.**