WAKISSHA JOINT MOCK EXAMINATIONS
MARKING GUIDE
Uganda Advanced Certificate of Education
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ECONOMICS P220/2

SECTION A (20MARKS)

1. a) i) Producer surplus refers to the difference between the actual revenue a seller gets and the expected revenue from selling a given product.(1 mark)

OR

Is the excess earnings between what a producer was willing to charge for the commodity and what he actually receives after selling it.

ii) Producer surplus = Actual revenue – Expected revenue 1 mark
= Shs (5 x 5000) – shs (1000+2000+3000+4000+5000) (1 mark)
= Shs 25000 – shs 15000
= Shs 10,000 (1 mark)

b) i) Commercialization of production is the changing of production from producer's own consumption to production for sale/market. (1 mark)

ii) Objectives of commercialization of production
- To promote economic growth/National income / output etc.
- To improve quality of products.
- To create more job opportunities
- To increase government revenue/ to widen the tax base.
- To widen market.
- To promote infrastructural development
- To promote specialization
- To increase financial independence/self-reliance.
- To increase foreign exchange earnings./To improve B.O.P position.
- To increase resource utilization.
- To improve labour skills.
- To encourage technological development/ innovations/inventions.

(3 x 1 = 3 marks)

c) Features of the agricultural sector in Uganda.
- It mainly produces low / poor quality products.
- It is mainly rural based.
- It mainly operates on small scale.
- It mainly produces for local market.
- It mainly uses semi-skilled and un skilled labour.
- There is a narrow range of products for export.
- It mainly depends on natural factors. e.g climate, rainfall before planting.
- It mainly employs labour intensive technology/ mainly uses poor technology.
- Mainly on dependent on family labour.
- The quantity of output produced is generally low.
- Dominated by subsistence production.
- Mainly food stuffs/Narrow range of cash crops.

N.B Qualifers a must.

(4 x1 = 4 marks)

d) i) Privatization refers to the transfer of ownership and control of public enterprises to private investors / private sector /individuals. (1 mark)

while

Divestiture refers to the outright sale of public enterprises to the private investors. (1 mark)

OR

Is the complete transfer of ownership of state enterprises to private individuals.

ii) Costs of privatization

- It causes dominance of the economy by foreigners
- It worsens income inequality.
- It increases the rate of capital out flow/causes profit repatriation.
- It ignores the provision of public and merit goods
- It causes consumer exploitation
- It çauses price instability
- It causes unemployment in the short run
- It causes quick depletion of resources/irrational exploitation of resources.
- It causes political resistance/ resentment.
- Losses are incurred due to high costs of advertising, renovation etc.

(2x1 = 2 marks)

e) i) Fiscal policy is a deliberate policy under which the government uses its revenue and expenditure programmes to achieve the desired objectives / regulate the level of economic activities. (1 mark)

ii) Instruments of the fiscal policy

- Taxation
- Subsidization
- Government expenditure
- Licensing
- Public borrowing
- Fees
- Fines
- Debt repayment.

(3x1 = 3 marks)

SECTION B (80 MARKS)

2. a) Causes of price instability of agricultural products in Uganda.

- Perishability hence difficult to store.
- Bulkiness hence difficult to transport.
- Dependence on natural factors/ change in season.
- Long gestation period.
- Price in elastic demand for agricultural products.
- Income inelastic demand for agricultural products
- Weak bargaining power of farmers on the world market.
- Poor surplus disposal machinery/ poor infrastructure.
- Presence of many producers making planning difficult.
- Divergence between planned and actual output.
- Introduction of synthetic substitutes / competition from synthetic fibres.

(10x1= 10 marks)

b) Effects of Price instability of agricultural products in Uganda are;
- Unstable export earnings.
- Unstable government revenue.
- Balance of payments instabilities.
- Planning based on export earning becomes difficult.
- Fluctuation in producers'/farmers' income
- Unstable terms of trade.
- Increased income inequality.
- Discourages investment in the agricultural sector/ farmers get frustrated.
- Results into seasonal unemployment
- Encourages rural –urban migration and its associated negative effects.
- Unstable exchange rates.

5 x 2 = 10 marks

3. a) Causes of income disparities in Uganda.
- Differences in the nature of jobs.
- Variations in the level of education and training.
- Differences in natural resource endowment and distribution
- Differences in economic /family background
- Political influence in allocation of resources in favour of certain regions.
- Differences in political climate.
- Difference in bargaining strength of trade unions.
- Differences in bargaining strength of individual workers.
- The non-matching government policy on incomes/wage payment.
- Differences in the cost of living.
- Differences in employer's abilities and willingness to pay.
- Differences in talents and natural gifts of workers.
- Differences in the number of hours worked for.
- Differences in the amount of work done.
- Differences in experience /expertise /responsibility.
- Differences in access to credit facilities/ contracts.
- Variation in access to developed infrastructure.
- Discrimination in the labour market.
- Differences in elasticity of labour supply.

10 x 1=10 marks

b) The measures that have been taken to reduce income inequality in Uganda.
- Carried out education reforms.
- Carried out land reforms.
- Developed infrastructure.
- Ensured political stability.
- Modernized agriculture
- Provided affordable credit to investors
- Controlled population growth rates
- Liberalized the economy
- Empowered /supported disadvantaged groups.
- Provided investment incentives.
- Diversified the economy.

- Carried out progressive taxation.
- Established small scale industries.
- Decentralized planning.
- Raised incomes for low income groups.

NB : Tense past

10 x 1 = 10 marks

4. a) Rationale for developing the industrial sector in Uganda.
   - To increase employment opportunities.
   - To increase government revenue.
   - In order to increase the utilization of natural resources.
   - To improve balance of payments position.
   - To promote technological development and transfer.
   - To create sectoral linkages.
   - To diversify the economy.
   - To improve on the terms of trade.
   - To stimulate development of infrastructure.
   - To increase output /economic growth.
   - To attract foreign investment.
   - To promote development of skills.
   - To commercialize/ monetize the economy/ to reduce the size of the subsistence sector.
   - To promote growth of entrepreneurship.
   - To widen consumer choice.
   - To reduce dependence on foreign manufactured goods/ to promote self-reliance.
   - To improve the quality of output / add value to output.

   For, in order to, for purposes of ....

10 x 1 = 10 marks

   b) Constraints to industrial development in Uganda.
   - Poor land tenure system.
   - Small market size.
   - Poor state of infrastructure.
   - Political instability in some parts of Uganda.
   - High marginal propensity to import.
   - Limited entrepreneurial skills.
   - Low level of accountability/corruption.
   - Shortage of capital.
   - High rates of inflation.
   - Poor technology / Low level of technology.
   - Shortage of skilled labour/Limited labour skills/Inadequate skilled labour.
   - Shortage of raw materials.
   - Limited incentives (investment incentives)/ Unfavorable government policy on investment / High taxation.

(10 x 1 = 10 marks)

5. a) Causes of structural unemployment in Uganda
   - Political instability.
   - Bad weather which disrupts supply.

- Occupational immobility of labour.
- Change in fashion/ tastes and preferences.
- Break down of machines.
- Exhaustion of minerals.
- Decline in demand for commodities.
- Break down of productive infrastructure.
- Technological progress.
- Inappropriate education system.
- High level of labour specialization.
- Retrenchment of workers/I.M.F conditionalities.

(6 x 1 = 06 marks)

b) Measures that may be taken to reduce unemployment in Uganda.
- Control population growth rates.
- Advertise the existing jobs.
- Ensure political stability.
- Carry out land tenure reforms.
- Develop infrastructure.
- Provide affordable credit to the un employed.
- Liberalize the economy(further).
- Encourage use of labour intensive technology.
- Export surplus labour to other countries.
- Under take industrialization.
- Expand the market.
- Diversify the economy.
- Under take the special programmes for the disabled.
- Modernize the agricultural sector.
- Provide tax incentives to investors.
- Carry out education reforms.
- Further privatization of public /state / government enterprises.

7 x 2 =14 marks

6. a) Banking financial intermediaries are financial institutions which accept deposits (from clients), give out loans and <u>create more credit</u>. **(2 marks)**

While

Non – banking financial intermediaries are financial institutions which accept deposits (from clients), give out loans but <u>do not create more credit</u>.

(2 marks)

b) Factors that affect credit creation in Uganda.
- Size of Collateral security/ Availability of collateral security.
- Rate of interest on loans.
- Availability of trustworthy customers
- Prevailing monetary policy/ Government monetary policy.
- Size of bank deposits.
- Size of cash ratio.
- Level of liquidity preference.
- Level of demand for loans.
- Distribution of commercial bank.

- Degree of accountability.
- Availability of investment opportunities.
- Degree of uncertainty.
- Knowledge about loans among the public.

NB: High / low (Not increase / decrease)

(8 x 2 = 16 marks)

7. a) Conditions necessary for successful economic development planning in Uganda.
   - There should be developed infrastructure.
   - There should be political stability/security.
   - There should be trained plan formulators and implementers/staff.
   - There should be sufficient funds/reliable sources of funding.
   - There should be price stability.
   - There should be high levels of accountability.
   - There should be low level of conservatism / public support.
   - There should be political will.
   - There should be government commitment.
   - There should be adequate / reliable data /information.
   - There should be limited economic disturbances both internal and external.
   - The plans should not be over ambitious.
   - There should not be institutional weaknesses.
   - There should not be external pressure/influence.
   - There should be viable projects.
   - There should be responsive private sector.

   NB: Presence
   Must
   Should

   Any 10 x 1=10 marks

   b) Benefits of economic development planning in Uganda.
   - Efficient /proper allocation of resources.
   - Fair income distribution / reduces income inequality.
   - Solves unemployment problem.
   - Reduces economic dependence/promotes self-efficience.
   - Mobilizes resources from other countries/attracts foreign aid.
   - Controls inflation/attains price stability.
   - Relates present to future trends and targets.
   - Identifies areas suitable for public and private investment.
   - Corrects on deficiencies of price mechanism.
   - Determines the rate of economic growth and development.
   - Improves the B.O.P position.
   - Ensures harmonious and consistent use of resources.
   - Encourages public participation in development process or solicits for political support.

   NB: Accept Has

   Any 10 x1 = 10 marks.

END