P220/1
ECONOMICS
Paper 1
July/Aug. 2019
3 hours.

BUSHENYI DISTRICT MOCK EXAMINATIONS

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 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) attempted will not be marked.

 Turn Over

SECTION A: (20 MARKS)

1. (a) (i) Differentiate between **opportunity cost** and **marginal cost**. *(02 marks)*
   (ii) State the significance of opportunity cost in economics. *(02 marks)*

   (b) (i) Differentiate between **technology transfer** and **appropriate technology**. *(02 marks)*
   (ii) State any two factors that affect the development of appropriate technology in developing countries. *(02 marks)*

   (c) (i) Define real **Gross National Product**. *(02 marks)*
   (ii) Given GDP at factor cost as Sh. 589,000, depreciation allowance as Sh. 142,000, net income from abroad as Sh. 273,000, outlays as Sh. 421,000, subsidies as Sh. 492,000. Calculate GNP at market price *(02 marks)*

   (d) (i) Distinguish between **a fixed exchange rate** and **a managed exchange rate**. *(02 marks)*
   (ii) Give any two merits of a fixed exchange rate. *(02 marks)*

   (e) (i) Distinguish between **impact** and **incidence of a tax**. *(02 marks)*
   (ii) Determine the incidence of a tax when demand is price elastic. *(02 marks)*

SECTION B: (80 MARKS)

2. (a) What is meant by '**price mechanism**'. *(02marks)*
   (b) Assess the role of price mechanism in allocation of resources in Uganda. *(18 marks)*

3. (a) How does a monopoly firm maximize profits in the short run. *(08 marks)*
   (b) Explain the implications of monopoly power in an economy. *(12marks)*

4. (a) Distinguish between currency devaluation and currency depreciation. *(04 marks)*
   (b) Explain the factors why devaluation may fail to achieve its intended objectives in an economy. *(16marks)*

5. (a) Account for persistence of high rate of inflation in Uganda. *(10marks)*

(b) Discuss the measures being taken to reduce the level of inflation in Uganda? *(10marks)*

6. (a) Distinguish between centralized planning and indicative planning. *(04 marks)*

(b) What are the factors that affect the effectiveness of economic development planning in an economy? *(16marks)*

7. (a) Discuss the role of national budget in Uganda? *(10 marks)*

(b) Suggest measures that should be taken to reduce deficits in the national budget in Uganda? *(16 marks)*

END