

P220/1  
**ECONOMICS**  
PAPER 1  
**JULY/AUGUST 2019**  
3 Hours



**WESTERN JOINT MOCK EXAMINATIONS 2019**  
Uganda Advanced Certificate of Education

**ECONOMICS**

**PAPER 1**

**3 HOURS**

**INSTRUCTIONS TO CANDIDATES:**

- Answer **FIVE** questions.
- 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) answered will **not** be marked*

### SECTION A (20MARKS)

1. (a)(i) Given that amount supplied of commodity K reduced by 30 units from 50 units. This was due to increase in the price of commodity Q by 2500 Ug Shs from Shs 2500. Calculate the cross elasticity of supply. (3marks)  
(ii) State the relationship between the two commodities (1marks)
- b) (i) Distinguish between privatization and nationalization of economic enterprises (2marks)  
(ii) Mention any two forms of privatization of economic enterprises. (2marks)
- c) (i) Differentiate between bottle neck inflation and stagflation. (2marks)  
(ii) Mention any two causes of battle neck inflation in an economy (2marks)
- d) (i) Differentiate between money market and capital market (2marks)  
(ii) State any two functions of capital market. (2marks)
- e) (i) Differentiate between a deficit budget and a balanced budget (2marks)  
(ii) State any two reasons why a country may prepare a deficit budget. (2marks)

### SECTION B (80MARKS)

2. (a) What are the implications of price mechanism in an economy? (14marks)  
(b) Explain the factors that limit effective operation of price mechanism in an economy. (6marks)
3. (a) Explain the basis of monopoly power (8marks)  
(b) Examine the implication of the existence of monopoly in an economy. (12marks)
4. (a) What is the role of the private sector in developing countries (10marks)  
(b) Explain the challenges faced by the private sector in developing countries (10marks)
5. (a) Describe the process of credit creation by commercial banks. (10marks)  
(b) What factors affect the ability of commercial banks to create credit in an economy? (10marks)
6. (a) Account for the persistent balance of payments disequilibrium in developing countries (10marks)  
(b) Explain the factors that limit devaluation policy to solve balance of payments deficit in developing countries. (10marks)
7. (a) When are employees justified to demand for wage increase? (10marks)  
(b) Examine the problems faced by Trade unions in developing countries. (10marks)