

P220/1
ECONOMICS
Paper 1
Jul/Aug, 2023
3 hours



MATIGO MOCK EXAMINATIONS BOARD

Uganda Advanced Certificate of Education

ECONOMICS

Paper 1

3 hours

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INSTRUCTIONS TO CANDIDATES:

*Answer **five** questions only*

Section A is compulsory

Answers to section A should be precise and concise

Answer four questions from section B

*All questions in section **B** carry equal marks*

Credit will be given for use of relevant graphs

Turn Over

SECTION A (20 MARKS)

Answer all questions from this section

1. (a)(i) Distinguish between “**equilibrium of an industry**” and “**equilibrium of a firm**”. (02 marks)
- (ii) Mention two necessary conditions for a firm in a perfectly competitive industry to be in equilibrium. (02 marks)
- (b) Below are costs and revenue of a firm. Using the information provided answer the questions that follow.

Output(Q)	Total revenue (TR)sh	Total costs (TC) shs
0	-----	900
1	400	1200
2	800	1420
3	1200	1550
4	1600	1650
5	2000	1650
6	2400	1730
7	2800	1980

- (i) Is the firm under perfect or imperfect competition? (01 mark)
- (ii) What is the marginal revenue? (01 mark)
- (iii) What are its fixed costs? (01 mark)
- (iv) What are its total variable costs for the first two units of output?(01 mark)
- (c)(i) Distinguish between “**net national product at market prices**” and “**gross domestic product at factor costs**”. (02 marks)
- (ii) What adaptations are required to obtain gross domestic product at factor costs given net national product at market prices. (02 marks)
- (d)(i) Differentiate between “**proportional tax**” and “**regressive tax**”. (02 marks)
- (ii) Give two effects of proportional tax in a market economy. (02 marks)
- (e)(i) Differentiate between “**managed exchange rate**” and “**fixed exchange rate**” (02 marks)
- (ii) State two demerits of exchange rate control in a market economy. (02 marks)

SECTION B (80 MARKS)

(Answer four questions)

2. (a) Distinguish between “**standard of living**” and “**cost of living**” (04 marks)
- (b) Explain why an increase in gross domestic product (GDP) does not necessarily mean an improvement in the standard of living in an economy. (16 marks)
3. (a) Explain the circumstances in which price discrimination is successful. (10 marks)
- (b) Assess the effects of the price discrimination in a market economy. (10 marks)
4. (a) What is meant by **wage legislation**? (04 marks)
- (b) Examine the implications of wage legislation in an economy. (16 marks)
5. (a) Account for the persistent increase in the general price level in developing economies. (10 marks)
- (b) Suggest measures that should be taken to control the persistent increase in the general price level in developing economies. (10 marks)
6. (a) Why do developing economies under take economic development planning? (10 marks)
- (b) Account for the failure to effectively implement economic development plans in developing economies. (10 marks)
7. (a) Explain the quantity theory of money according to Fisher. (06 marks)
- (b) Discuss the limitations to the applicability of the theory of money to a market economy. (14 marks)

END