

P220/1
Economics
Paper 1



JOURNEY OF SUCCESS EXAMINATIONS BOARD

Uganda advanced certificate of education

ECONOMICS

PAPER 1

TIME: 3 HOURS

Instructions:

- 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

SECTION A: (20 MARKS)

1. (a) (i) Distinguish between opportunity cost and opportunity cost curve. (02 marks)
(ii) State any two assumptions underlying the opportunity cost curve (02 marks)
- (b) (i) Distinguish between Marginal efficiency of capital and capital appreciation (02 marks)
(ii) Mention any two factors that constrain marginal efficiency of capital in an economy (02 marks)
- (c) (i) Differentiate between injections and leakages in an open economy (02 marks)
(ii) Give any two examples of leakages in an open economy. (02 marks)
- (d) (i) Distinguish between money supply and demand for money. (02 marks)
(ii) State any two factors that affect money supply in an economy (02 marks)
- (e) (i) Distinguish between capital gains tax and corporation tax. (02 marks)
(ii) Give any two effects of a corporation tax in an economy (02 marks)

SECTION B (80 MARKS)

2. (a) What are the features of an oligopoly market? (08 marks)
(b) Describe the different forms of sales promotion used by oligopolistic firms in an economy (12 marks)
3. (a) Differentiate between take home income and per capita income (4 marks)
(b) Explain the problems encountered when using per capita income for measuring the standard of living of an economy. (16 marks)
4. (a) Explain the merits of adopting capital intensive techniques of production in an economy. (10 marks)
(b) Explain the limitations of capital intensive technology in developing countries. (10 marks)
5. (a) Explain the role of the central bank in an economy. (10 marks)

- (b) Explain the difference methods employed by the central bank to control inflation in an economy (10 marks)
6. (a) Explain the arguments for trade liberalization in developing countries to protect their trade. (10 marks)
- (b) What are the dangers of liberalizing trade in developing countries? (10 marks)
7. (a) Describe the canons of a good tax system in an economy. (10 marks)
- (b) Explain the role of taxation in the development of an economy (10 marks)

END