P220/1
ECONOMICS
Paper 1
23 July 2018
3 hours

ENTEBBE JOINT EXAMINATION BUREAU

Uganda Advanced Certificate of Education

ECONOMICS

Paper 1

3 hours

INSTRUCTIONS TO CANDIDATES:

This paper consists of two Sections **A** *and* **B**.

Section **A** *is compulsory.*

Attempt only **four** *questions in* Section **B**.

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

Begin each number on a fresh page.

Credit will be given for the use of relevant illustrations and diagrams.

Any extra question(s) shall **not** *be marked.*

SECTION A: 20 Marks

Answer all parts of this question.

1. (a) (i) What is meant by the term **production possibility frontier**? *(01 mark)*

(ii) Give any **three** uses of the production possibility frontier. *(03 marks)*

(b) (i) Distinguish between **marginal cost** and **marginal revenue**. *(02 marks)*

(ii) A firm's output increases from 10,000 kgs to 16,250 kgs. This leads to a change in total cost of a firm from Shs 850,000 to Shs 1,350,000. Calculate the marginal cost. *(02 marks)*

(c) (i) Distinguish between **consumption expenditure** and **investment expenditure**. *(02 marks)*

(ii) State **two** factors that influence consumption in an economy. *(02 marks)*

(d) (i) What is meant by **cyclical unemployment**? *(01 mark)*

(ii) Give any **three** remedies to cyclical unemployment. *(03 marks)*

(e) (i) What is the difference between **liquidity ratio** and **liquidity preference**? *(02 marks)*

(ii) Mention **two** factors that may lead to an increase in liquidity preference in developing countries. *(02 marks)*

SECTION B: 80 Marks

2. (a) Distinguish between **composite demand** and **complementary demand.** *(04 marks)*

(b) Explain why demand for a commodity may be unstable in an economy. *(16 marks)*

3. (a) Differentiate between **real income per capita** and **nominal income per capita**. *(04 marks)*

(b) What are the limitations of using income per capita to compare the welfare of people in a country over time? *(16 marks)*

4. (a) What are the features of the informal sector in developing countries? *(06 marks)*

(b) Assess the impact of expanding the informal sector in developing countries. *(14 marks)*

5. (a) Account for the low levels of economic development in developing countries. *(10 marks)*

(b) Suggest measures that can be taken to enhance the level of economic development in developing countries. *(10 marks)*

6. (a) Differentiate between **marginal productivity of labour** and **marginal productivity of distribution**. *(04 marks)*

(b) What are the limitations of the marginal productivity theory in developing countries? *(16 marks)*

7. (a) Explain the benefits of economic integration for developing countries. *(10 marks)*

(b) What challenges may be faced in the process of economic integration in developing countries? *(10 marks)*

END