**P220/1**

**ECONOMICS**

**Paper 1**

**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) answered will* ***not*** *be marked.*

**Turn Over**

**SECTION A (20 MARKS)**

1. (a) (i) What is meant by a Laissez-faire” economy? (01 mark)

 (ii) Give three demerits of Laissez-faire economy. (03 marks)

 (b) (i) Define price discrimination. (01 mark)

 (ii) Mention any three conditions necessary for price discrimination to succeed. (03 marks)

 (c) Study the table below and answer the questions that follow.

|  |  |
| --- | --- |
| **Price of maize (shs)** | **Supply of maize (kgs)** |
| 50 | 100 |
| 40 | 250 |
| 30 | 500 |
| 20 | 1100 |
| 10 | 3000 |

 (i) Calculate the average revenue when 110 units are sold. (02 marks)

 (ii) Calculate the marginal revenue when 3000 units are sold. (02 marks)

 (d) (i) Define the term “value of money”. (01 mark)

 (ii) Mention any three factors that influence the value of money. (03 marks)

 (e) Distinguish between;

 (i) impact of a tax and incidence of a tax. (02 marks)

 (ii) tax evasion and tax avoidance. (02 marks)

**SECTION B (80 MARKS)**

2. (a) Explain the features of monopolistically competitive market in an economy.

 (08 marks)

 (b) How is the output and profits determined by a firm under monopolistically competitive market in the

 (i) short run. (06 marks)

 (ii) long run. (06 marks)

3. (a) How do firms in an economy benefit from expanding their scale of output.

 (10 marks)

 (b) Account for the continued existence of small firms inspite of the advantages of large scale production. (10 marks)

4. (a) Distinguish between a common market and a customs union. (04 marks)

 (b) Discuss the factors hindering effective economic integration among developing countries. (16 marks)

5. (a) Explain the Malthusian population theory. (06 marks)

 (b) Examine the relevance of this theory to the developing countries. (14 marks)

6. (a) What is meant by the term “monetary policy”? (02 marks)

 (b) Examine the limitations of the monetary policy in developing countries.

 (18 marks)

7. (a) Define a perspective plan. (02 marks)

 (b) Explain the qualities of a good development plant. (18 marks)

***END***