ACHIEVING A DISTINCTION & EXCELLENCE

IN A'LEVEL ECONOMICS.

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By Richard Wemesa, BA Econ/MA Econ & PhD Candidate

Senior Economics Tutor

Email: richie.wemesa@gmail.com Mobile; +256772838824/+256752695456

About the Arthor

Richard Wemesa a senior Economics Tutor/Lecturer. He attended Masaba Sec Secondary, St. Peter's College Tororo and Makerere University for his O'Level, A 'Level and University respectively. Richard has so many years of tutoring, teaching and lecturing economics at both A and University levels with different competitive schools and institutions in Uganda, as well as with Unicaf University, University of Malawi and University of Zambia among others

PRACTICAL STUDY AND REVISION APPROACH FOR A' LEVEL ECONOMICS

Students who score distinctions and excel in "A" Level Economics Examinations may not be very bright students as some people will have you believe, all it takes is a good study and revision time table, note that it is not about being a bright student, attending a good A' level school and having good Economics teachers. Before making a good study and revision timetable, students must have a complete knowledge about what the syllabus expects them to cover with a satisfied source content of information like class notes, text books and other materials like pens, rulers, pencils and summary note books in order to study and revise Economics well.

How to study and revise Economics well has **no exact formula**, but as long as the method a student opts for enables him or her to gain an absolute and solid grasp and memory of key economics topics, terms and concepts. Some students find it easy studying and revising their classroom notes from start to the end but others prefer simplifying the information to smaller units as much as possible by turning everything into summary points in their small note books.

A single study and revision technique can not work for all students studying economics but individual students must try to design their own study and revision approach because different approaches work for different students, this means that individual students must stick to the study and revision approach that works best for them.

The best approach of studying and revising economics first is by attending classes and taking class notes, doing personal study and revision, having group discussions and memorizing of key terms, concepts and details of the topics, Students therefore need to revise Economics on the daily basis because the subject topics, key terms and concepts need constant reviewing, otherwise without that, revising Economics becomes very difficult and tedious for students.

Students should not study and revise Economics for very long hours because rushing to over-revise by doing too much too soon can not be helpful, instead students must take their study and revision tasks with great patience and determination and never to be discouraged at any one point by the task they have set.

Students of Economics must study and revise one set of topics together for example introduction to Economics and Price theory, Production and National income, Inflation and Unemployment, Development process and Choice of Development, Development of industry and Agriculture, Development and Under Development, reading one set of topics enables students to master the contents of the topics, terms and concepts.

If students find trouble mastering specific details of topic contents, then such students must at least try to understand the topic in general without stressing to master the details. For example students may fail to understand the detail contents of inflation as a topic but must understand the topic in general like what inflation is? Types, what causes it? What are the solutions?

If students just choose to "ignore" the topics, then they may be limiting their options when it comes to answering questions instead they must try to gain a broad understanding of the topics in general because this often can be sufficient enough to answer most parts of the questions and during study and revision time, students must summary details of key points and a list of keywords for each topic covered such as GDP, GNP, which can act as "triggers" for other topics, diagrammatic illustrations or representation of notes can be helpful.

Discussion groups can help students to exchange ideas and learn very fast leading to broad understanding of topic contents in economics as well as building confidence, during such discussions students must go through Economics past papers of previous UNEB and school examinations. Questions which are frequently examined must be given much emphasis during discussion time, Economics mock examination questions papers of various schools must not be ignored because in most cases they have an insight of what the final Examinations may look, after discussions students have some time to memorise key points, economic terms and concepts.

A Study, revision and discussion environment for Economics must be a clean and quiet place without any kind of distraction (like television or loud music), students must also make sure that they are sitting comfortably on a clean seats. Finally Economics students must be keep absolute confidence in themselves because at times revision can become competitive among fellow students with others asking questions like –who scored the highest grade last term?, who was the best last term?, who stayed up latest?, who was the last in the library? Who worked longest? Who went for winter early?

PLANNING FOR A LEVEL ECONOMICS STUDY AND REVISION TIMETABLE

Students must keep their study and revision timetable realistic as much as possible meaning that a systematic sleeping, eating and sports time should be catered for because having irregularities in it can become an excuse for not studying and revising Economics therefore time for relaxation and exercise should be catered for, "work without play makes jack a dull boy".

Students should avoid interruptions by the rest of the family and friends by making their study and revision time a secret. Students must have a division of study hours based on studying, revising, discussing and memorizing what has been covered on a daily basis but in case the students study and revision time table fails to work out then students shouldn't hesitate to manipulate their time tables every once or twice a week to make sure it fits their study and revision needs.

APPROACH OF DEALING WITH EXAMINATION FEVER BEFORE EXAMINATIONS

Economics is usually the first exam to be sat, so it is natural for a student to experience examination fever and feel nervous. The first thing for students to do is to pray to God for a spirit of confidence and make sure they prepare for the Examinations more adequately in order to overcome and conquer examination fever. Students who are less prepared always fall victims of examination fever.

The power of self confession should not be ignored, they should speak to themselves positively while facing in the mirror that if they perform poorly then their last score will be an (**A).**Have a positive attitude of scoring an excellent distinction, refuse a negative attitude and allow yourself some fun-time each day to relax before the examinations. Don't panic; think about what you can achieve, not what you can't. Positive thinking is important.

Don't think about how poorly you performed in your mocks, just concentrate for the goal ahead after all mocks are just there to mock you. Plan your work carefully around the topics you need to focus on. Being aware of the gaps in your knowledge can make you very nervous, but if you have a plan for the study, revision and the examination makes you feel better.

Students must eat sensibly because their brain cells need energy to function well, they must drink plenty of water to avoid dehydration which at times makes students tired leading to loss of study and revision concentration, finally students must remember that exams are created to help them get to higher institutions of Learning. If they think along this angle then their whole attitude towards exams changes for the positive results. Economics Exams and students are great friends. If no exams, they can't enter the next higher class.

APPROACH AND PREPARATION FOR A' LEVEL ECONOMICS EXAMINATIONS

Have a Positive Attitude. A positive attitude goes a long way towards scoring a distinction and excelling Economics Examinations and Keep calm and consolidate your existing knowledge rather than trying to learn new topics. Try to follow your normal study and revision routine as this will help you relax and try not to treat the exam as anything other than a normal school or college day, other than that you are doing an exam.

The night before the Examination, at this critical moment cramming doesn't work. If you've followed a study plan, do a quick review and get to bed early and remember, to get a good night's sleep - do not stay up till "all hours" revising unless you feel this is vital, your brain and body need sleep to function well, so don't stay up late!

In the Morning of the Economics Examination, students should make sure that they have a good and heavy breakfast, they shouldn't skip breakfast because they think well when they have a full stomach but shouldn't forget to ease themselves to avoid inconveniences during the examination. They should take sufficient pens, pencils, rubbers, a ruler and a wristwatch or small traveler's clock to time themselves during the exam.

APPROACH AND CONDUCT WHILE IN THE EXAMINATION ROOM

Students should present themselves for checking before they enter the examination room and after checking students should make their way slowly to the examination room and sit quietly as they wait for the time to come but in the process they should not make noise by talking to each other unless with permission of the invigilator.

Secondly students are expected to listen very carefully to instructions that are given or any other announcements that may be made and If anything is unclear, they should ask before the examinations start as this may save them a great deal of time later and last but not least students should make sure that they have everything necessary such as enough pens, pencils, rulers, calculator, question paper and answer sheet.

READING THROUGH THE ECONOMICS EXAMINATION QUESTION PAPER

When given the question paper, it may sound stupid, but students should rush and forget to read the instructions to find out exactly how many questions they are required to answer, instructions guide students on how to answer questions and in what span of time however, they should not waste a lot of time on this.

Students should carefully note instructions such as "Answer four questions, Section “A” is compulsory. Answers to this section should be precise and concise, Answer three questions from section B, All questions in section B carry equal marks, and Credit will be given for use of relevant diagrams.

"Speed Read" the question paper for the first five minutes to get an idea of what questions are in there. Students should read the questions again for the next five minutes, the purpose of reading the questions for the second time, in to analyze and digest the questions clearly.

Read each question carefully and thoroughly involves reading all parts of the question before deciding whether or not to attempt that question because at times part (a) can be easy yet with few marks and part (b) can be hard yet with many marks, so avoid such numbers and opt for the alternative.

Students should read through the question paper for the last time while marking those numbers they think can answer exhaustively without doubt and after the last reading students should then decide on which questions to attempt, students must avoid rushing to answer questions which they have not fully read and understood and it advisable that students start answering questions which they can attempt and answer best.

APPROACH AND ACTUAL ANSWERING OF THE ECONOMICS EXAMINATIONS

Always remember “First impression is the last impression". Neatness is the first impressive factor to the examiner, be sure that your writing is legible &readable.

Students should write as neatly as possible to help the examiner mark their work with great interest. Marking untidy hand writing is difficult; it creates a negative impression to the examiner, so avoid such a negative impression in the first sight of the examiner.

Planning the answers the first is key, this reminds me of the saying “if fail to plan then you are planning to fail” with aid of a pencils, students are expected to make outlines of what they think are the possible answers, this guides the students in their actual answering of the questions.

“Rebel students” don’t care about planning their answers, they simply wire points and explanations straight away from the head to the answer sheet yet this is wrong because there is a possibility of them repeating themselves.

If doing mathematical questions students should always show their working, simply stating an answer will not get them full marks. If they get a question partially correct, and they have shown their working, they may be given some marks.

Separate points from the explanations by using clear punctuations marks, the point here is that the correct point may be followed by a wrong explanation therefore students will get the marks for stating the point though they may get a zero mark for the wrong explanation.

Keep equal margins from both the sides while writing on the answer-sheets and underline the headings. If the examiner is in a hurry, he may read only headings and will come to know about what students are writing about. Spacing and paragraphing work is very important especially for section B. Spacing avoids congestion of answers and enables students to check through the easily after answering.

DIGGING YOUR OWN GRAVE IN ECONOMICS FINAL EXAMINATIONS

Students should never ever get tempted to cheat or carry un accepted materials to the examination room, secondly the same students MUST never set their own questions thinking that may be the examiners made a mistake somewhere, true, examiners are humans who can make mistakes but for the sake of the national examination they cannot.

Students MUST never leave any question blank, students must at least write something about every question. Examiners are very kind people, at times they may be sympathetic to the extent that they would want a student to get an extra mark for anything written but surprisingly these same students hardly write anything. And lastly never use Pens for drawings or illustrations and Pencils for writing.

APPROCH OF QUESTIONS SELECTION IN ECONOMICSEXAMINATIONS

Some questions are very tricky and can knock students off balance, a reason why question selection is vital and key for every student of economics. Students must select questions that can enable them to demonstrate their knowledge of the subject to the examiner.

Question selection is key and vital for all students of Economics, questions which share points in common must be given the first selection preference for example points about the causes of inflation can answer a question about the causes of unemployment. Students must avoid selecting questions they are not very sure of because they can get stack on the way in the process of answering leading to wastage of time.

Students must look at the marks available and select numbers where they can write less for more marks than writing much for less marks. I always advise my students to choose questions with parts (a) and (b) than block and discuss questions with block marks.

If students are still stuck, circle it and move on. They can come back to it later but if they have no idea about the answer then they must review their options and make the best guess possible, but only if they don't lose points for wrong answers. In a given question, select and concentrate on what you know rather than what you don't know.

Select questions you feel most confident about first (it rarely matters which order you answer questions in). This will help to build your confidence and you may find yourself remembering more things. Keep thinking positive in your question selection and do the best you can. Just answer as much as you can.

APPROACH OF HOW TO FINISH WRITING ECONOMICS EXAMINATION.

I'm done! When you complete the last item of answering your last question, remember that you're not done yet. First, check the clock and go back to review your answers, making sure that you didn't make any careless mistakes (such as putting the right answer in the wrong place or skipping a question).

Spend the last remaining minutes going over the hardest problems before you turn in your test. Allow yourself ten minutes at the end to read through your answers and correct any mistakes cross out anything you do not want the examiner to read.

APPROACH & CONDUCT AFTER FINAL ECONOMICS EXAMINATIONS

After the Economics Examination, a good number students always rush to cross check with the right answers in their classroom notes and textbooks – there is no point at this stage to do so though it is easy for students to fall in to the trap of wondering how well they performed and to discuss this with their fellow students.

Panicing is not the solution, students should not be anxious about the answers they gave in the Examination of Economics Paper one and they should never compare their answers with those of other students because this can create negative feelings but instead they should spend their quality time preparing for their next paper in the afternoon.

APPROACH AND TIME MANAGEMENT IN ECONOMICS EXAMINATIONS.

Time management is key in passing not only Economics Examination but it is a master key to success in life. Students should try to work out how much time you will need to answer each question, but allow some time for reading / checking at the end of the time.

Students should give sufficient time for all questions. By this I mean – they should not write in excess for a question which carries fewer marks. If a student does this, he may get less time to write an answer for other questions which carries similar or even more marks.

Students should manage their time. They must scan through the question paper quickly before starting on actual answering. Answering the easy questions first can be a time saver and a confidence builder and it saves more time in the end for the student to focus on the compulsory hard numbers.

WHY STUDENTS FAIL ECONOMICS EXAMINATIONS.

Some students set their own questions, for heaven's sake students should never ever make this mistake; Examiners are more experienced than students since they have been in the same field for good years, so students should not try to assume that may be the examiners made a mistake.

Many students try to keep awake for the whole night a day before the examinations, this makes them feel exhausted -both physically and mentally to the extent that they can't memorize the answers properly and their performance is affected, they forget they need sufficient rest before the examination the following day.

Poor study and revision plans/ inadequate preparations, some students dodge lessons during the course of their study and this affects their entire performance.

APPROACH AND NATURE OF ECONOMICS PAPERS 1 & PAPER 2.

Paper two is a practical paper and calls for analysis of theories and concepts which is not the case of paper one, so also it calls for facts in line to the local setting. This means that students should avoid being speculative. Local examples and relevant illustrations are called for and use of symbols, short hand, abbreviations and misspelling technical terms need to be avoided, a student should be very keen with tenses in paper two.

A student should not personalize his answers, answers should be suggestive in nature and should be presented in a suggestive format, a student must be specific about government policies, for example a student should say government policy on taxation or subsidization, and a student is warned against just stating government policy because government has many policies. Explanations of points for both paper one and paper two should be satisfactorily explained.

APPROACH OF QUESTIONS & ANSWER PRESENTATION IN SECTION A.

Therefore the sequence of answer presentations of section**"A"** questions should be in a language that is straight forward and clear.

"First impression is the last impression" examiners always look for students who give them the first piece of impression in their answer presentations.

Commonly used terminologies in Section A Economics Questions which students should be familiar with.

Be **precise,** precise means being clear and accuratea term, a concept, a word or a phrase more accurately using few words. **Concise.** Concise means giving only information which is necessary and important using few words. **To "Define"** means to explain the meaning of a term, a concept, a word or a phrase more accurately using few words. **To "Mention"** means to write down the main points or facts about a term, a concept, a word or a phrase. **To "Give"** means to write down the main points or facts about a term, a concept, a word or a phrase. **To "Define"** means to explain the meaning of the term, concept, and word or phrase more accurately using few words. **To "State"** means to write down the main points or facts about a term, a concept, a word or a phrase. **To explain** means to tell or to write something in a way that makes it easy to understand. **To examine** means to study a subject very carefully.

APPROACH OF QUESTIONS REQUIRING DEFINITION OF ECONOMICCONCEPTS

Questions of this nature require students to use the correct qualifiers such as, refers to, is the, is a, is one in, is one whereby, is where.

1. (a) Define the term "labour force".

Labour force refers to the total number of workers available for employment in a country, it comprises of the working age, both employed and unemployed.

(b) Mention any three factors that determine the size of labour force.

Any three factors that determine the size of labour force in an economy include;

Size of the population

Age composition of the population

Sex composition of the population

Period spent on training / period of training

Rate of migration (both emigration and immigration)

2. (a) Define the term "Marginal Revenue"

Marginal Revenue is the additional Revenue realized from the sale of an additional unit of out put.

(b) State the relationship between average revenue and marginal revenue of a perfectly competitive firm.

Relationship between AR and MR in a perfectly competitive firm is illustrated below,

AR=MR in a perfectly competitive firm because the price is constant meaning that the sale of an additional unit of out put brings the same amount as that brought in each unit sold.

3. (a) Define the term "subsistence output"

Subsistence output refers to the output meant for the producers own consumption.

(b) Mention any three demerits of a large subsistence sector in an economy.

Any three demerits of a large subsistence sector in an economy are;

Low out put levels

Limited inventions and innovations due to reduced competition

Poor quality output is produced

Low tax revenue / narrow tax base

Limited specialization and trade

Under utilization of resources

Underemployment of labour

4.(a) Define the term "liquidity preference".

Liquidity preference refers to the desire by individuals to hold wealth/assets in cash form or near cash form.

(b) State any three factors which determine liquidity preference in your country.

Any three factors which determine liquidity preference in Uganda include;

Interest rates/ bank rates

Current price of financial assets for example bills

General Price level on the market

Level of speculation/Level of transactions

Level/degree of uncertainty on the market

Level of monetization in the economy

Level of development of financial institutions

Investment climate for example government policies

5. (a) Define the term "economic dependence".

Economic dependence refers to a situation where one country depends on the resources and economic decisions of other economies for its own development.

This is absolutely wrong because a student is using the same concept word "depends" in the definition yet "depends" is very similar to the concept term dependence.Instead students should say,

Economic dependence refers to the reliance of an economy on the resources and economic decisions of other economies for its own development.

Or a situation where an economy relies on another or other economies for its own development.

(b) Mention any two forms of economic dependence in your country.

Any two forms of economic dependence in Uganda are;

Sectoral dependence /dependence on agriculture.

Trade dependence/ export and import dependence, geographical concentration of trade.

External resource dependence/relying on foreign aid and foreign capital.

Direct economic dependence /relying on foreign decision making and foreign manpower.

OEPEN APPROACH OF ANSWER PRESENTATION IN ECONOMICS EXAMINATIONS

Questions of this nature require students to avoid open format of answer presentation because this format is wrong and costs students a lot of marks.

1.(a) Define the term "production".

Production is the creation of utility in goods and services aimed at satisfying the wants of individuals or groups of individuals. Or, the process of transforming resources into outputs of goods and services to satisfy human wants.

(b) Mention any three agents of production in your country.

Land

Labour

Capital

Entrepreneurship

Organization

Answer presentation by a student in example 1 (b) above is wrong though a student may have mentioned the correct agents of production in his or her country. Instead a student should say, for part (b) only

Any three agents of production in Uganda include the following;

Land

Labour

Capital

Entrepreneurship

Organization

2.(a) Explain the concept of "opportunity cost" as used in Economics.

Due to limited means, choice has to be made between alternatives, the choice of one alternative implies the foregoing of another which means opportunity cost.

(b) Give any two uses of opportunity cost concept to a producer.

Any two uses of opportunity cost concept to a producer include the following;

Helps the producer decide on what to produce.

Helps the producer decide how to produce / technique of production.

Helps the producer decide when to produce/ period.

Helps the producer decide for whom to produce.

Helps the producer decide where to produce/ location.

Helps the producer decide how much to produce.

OUTLINE APPROACH OFANSWER PRESENTATIONECONOMICS EXAMINATIONS.

Answer outlines are not permitted in economics examinations as well as other examinations, therefore students should take caution.

1.(a) Outline any four features of the informal sector in your country.

Any four features of the informal sector in Uganda include;

- It is dominated by small scale firms in the market

- Produces mainly for domestic market/ local consumption

- Uses mainly simple production techniques which are more labour intensive

- It produces mainly consumer goods and simple producer goods

- Mainly uses local inputs in the production process

- It is characterized by limited formal book keeping and record maintenance

Answer presentation in example 1 (a) above is wrong though a student may have stated the correct features of the informal sector his or her country. Instead a student should say,

Any four features of the informal sector in Uganda include;

It is dominated by small scale firms in the market

Produces mainly for domestic market/ local consumption

Uses mainly simple production techniques which are more labour intensive

It produces mainly consumer goods and simple producer goods

Mainly uses local inputs in the production process

It is characterized by limited formal book keeping and record maintenance

ONE WORD APPROACH OF ANSWER PRESENTATION IN ECONOMICS EXAMINATIONS

Majority of the students always present one word answers not knowing that such presentation of answers is wrong and not impressive in any case.

1.(a) Give any two factors which determine quantity demanded of a commodity.

Price

Advertising

Income

Population

Tastes and preferences

Answer presentation in (a) of example 1 above is wrong though a student may have stated the correct factors that determine quantity demanded of a commodity.Instead a student should say, for part (a) only

Any two factors that determine quantity demanded of a commodity are;

Level of the price of the commodity on the market

Level of advertising of the commodity on the market

Level of income of the consumers in the market

Level of population size in the market with the power to purchase

Changes in tastes and preferences of the commodity availed on the market

2.(a) Mention any four factors limiting agricultural mechanization in your country.

Capital

Appropriate skills

Population

Market

Infrastructure

Topography

Answer presentation in (a) of example 2 above is wrong though a student may have stated the correct factors limiting agricultural mechanization in his or her country. Instead a student should say,

Any four factors limiting agricultural mechanization in Uganda include;

Limited// inadequate Capital

Lack of appropriate skills by the labour force

Conservativeness of the Population /Attitude

Limited Market does not encourage mass production.

Poor Infrastructure especially the transport network

Poor topography with many areas being hilly

3. (a) State any four factors that determine the rate of economic growth in an economy;

Industrialization

Utilization of natural resources

Technological progress

Existing stock of capital in an economy

Development of infrastructure

Entrepreneurial ability

Planning and plan implementation

Answer presentation in (a) of example 3 above is wrong though a student may have stated the correct factors that determine the rate of economic growth in an economy. Instead a student should say, for part (a) only

Level of technological progress in the economy

Level of existing stock of capital in an economy

Level of development of infrastructure like roads, railways, power and water supplies

Nature of labour force/skills acquired by labour force

Level of monetization/specialization of the economy

Nature of foreign influence on policies of economic growth

Nature of government policies in relation to economic growth

<u>APPROACH OF ECONOMICS QUESTIONS REQUIRING ECONOMIC OBJECTIVES</u>

1.(a) Outline any four objectives of monetary policy in Uganda.

Any four objectives of monetary policy in Uganda include the following;

To attain/ensure price stability

To influence the level of employment

To influence the BOP position

To ensure stability of exchange rates in the economy

To influence the levels and nature of investment

To influence the rate of economic growth.

2. (b) Mention any four objectives of developments goals in your country.

Any four objectives of development goals in Uganda include the following;

To achieve a high rate of economic growth of GDP and income per capita

To reduce poverty, disease and ignorance

To achieve a favourable Balance of Trade, Terms of trade and BOP position.

To create a fairer distribution of income and wealth

To build an independent and self sustaining economy.

To achieve price stability/ to reduce inflation in the economy.

3. (c) Mention any four objectives of economic development in your country.

Any four objectives of economic development planning in Uganda are;

To reduce economic dependence/attain self sustenance

To reduce unemployment to manageable levels

To attain equitable income distribution/To attain price stability

To attain high rates of economic growth and development

To control population growth rates to desirable levels

To improve the Balance of Payment Position

To attain high skills through education and training

4. (d) State three objectives of imposing import duties in your country.

Any three objectives of imposing import duties in Uganda include the following;

To raise revenue for the government

To protect domestic infant industries

To discourage importation of luxuries and socially undesirable goods

To improve the country's BOP position

To minimize imported inflation

APPROACH AND SPELLINGS OF KEY ECONOMIC TERMS & CONCEPTS.

Majority of the students are not keen with the spellings of technical economic terms and concepts and this costs them a lot of marks especially when it comes to Paper two.

Examples of miss- spelt technical economic terms and concepts in Economics Examination include the following.

Subsistance instead of Subsistence**, Enterpreneur** instead of Entrepreneur**, Intrest Rate** instead of Interest Rate**, Moral Suation** instead Moral suasion**, Lazy fair** instead of Laissez faire**, Consumpution** instead of Consumption**, Economic Glowth** instead of Economic Growth**, Monitary policy** instead Monetary policy**, Price legisration** instead of Price legislation**, Marginal Requirement** instead of Margin Requirement**, Resale Price Maintanance** instead of Resale Price Maintenance**, Maginal Rate of substitution** instead of Marginal rate of substitution.

APPROACH OF ECONOMICS QUESTIONS REQUIRING ECONOMIC BENEFITS.

(a) Mention any four benefits of economic growth in your country

Any four benefits of economic growth in Uganda include the following

Improved standards of living due to availability of a variety of goods and services

Creation of employment opportunities due to increased investment

Improved balance of payments due to increased exports

Reduces income inequalities due to wide spread employment opportunities

Optimum exploitation and utilization of productive resources in the economy

Increased government revenue through taxation

Development of infrastructures especially roads, railways and industries

Improvement in technology due to increased innovations and inventions

Development of entrepreneurial skills especially in the production setting

APPROACH OF DISTINGUISHING& DIFFERENTIATING TERMS & CONCEPTS.

Questions of this nature require students to use the appropriate qualifiers. Qualifiers like WHILE and WHERE AS should be used instead of BUT and YET, Not that **BUT and YET** are not in any case distinguishing or differentiating words.

1. (a) Distinguish between an increase in Supply and an Increase in quantity supplied.

An increase in supply is a situation when at a constant price more of a commodity more of a commodity is put on the market. It is illustrated by a shift in the supply curve to the right of the original curve.

WHILE

An increase in quantity supplied is a situation when the amount of a commodity put on the market increases due to increase to increase in the price of the commodity. It is illustrated by an up ward movement along the same supply curve.

b (i) Distinguish between voluntary unemployment and involuntary unemployment.

Voluntary unemployment refers to a situation where jobs are available but labour force is not willing to work or take on the jobs at the on going wage rate.

WHERE AS

Involuntary unemployment refers to a situation in which labour force are willing and actively looking for jobs but can not find one at the on going wage rate.

(ii) Give any two causes of involuntary unemployment in your country.

Any two causes of involuntary unemployment in Uganda include the following;

Rapid population growth rate vis-a vis growth in employment opportunities

Defective education system/too theoretical leaving graduates from school unemployed.

Discrimination in the labour markets based on sex, age, tribe, language

Rural urban migrations causing open urban unemployment in urban areas

Ignorance of available job opportunities by job seekers especially university graduates

Frequent changing of jobs case with frictional unemployment

Physical/mental incapacitation resulting into residual unemployment

Seasonal changes which affect major productive activities like agriculture

c (i) Differentiate between cost push inflation and Demand pull inflation.

Cost push inflation is one that arises as a result of increase in costs of production

WHILE

Demand pull inflation is one that arises out of excess aggregate demand over aggregate supply at full employment of resources

(ii) State any two causes of demand pull inflation in your country.

Any two causes of demand pull inflation in Uganda include;

Excessive government (recurrent) expenditure

Excessive issuing of money/currency in the economy/in hands of the public

Excessive inflows of incomes from abroad

Un controlled creation of credit by commercial banks

Increasing demand for our exports by the neighboring countries like Sudan& Kenya

d (i) Differentiate between horizontal merging and vertical merging of firms.

Horizontal merging of firms is the union or combination of two or more firms in the same industry and at the same level or stage of production.

WHILE

Vertical merging of firms occurs when two or more firms in an industry but at different stages of production unite or combine into one production unit for example a sugar cane growing firm combining with a sugar processing firm.

(ii) Mention any two reasons for merging of firms in an economy.

Any two reasons for the merging of firms include the following;

To encourage efficiency/ improve quality of out put

To reduce the costs of production in the long run

To attain monopoly power/gain control of a large share of the market

To effectively exploit available resources

To minimize un necessary duplication and wastage of productive resources

To enjoy economies of scale for example to increase out put.

e (i) Distinguish between a change in demand and a change in quantity demanded.

A change in demand refers to an increase or decrease I demand at constant prices due to changes in factors affecting demand other than prices due to changes in factors affecting demand other than the commodity's own price. It is illustrated by the shift in the demand curve either to the right indicating an increase in demand or to the left indicating a decrease in demand.

WHERE AS

A change in quantity demanded is an increase or decrease in the amount of the commodity purchased in the market due to changes in the commodity's own price ceteris paribus. It is illustrated by a movement along the same demand curve.

(ii) State any three factors that may bring about a change in the demand for a commodity.

Any three factors that may bring about a change in the demand for a commodity include,

Change in prices of other commodities for example complements and substitutes

Expectation of price change in the near by future

Change in the rate of advertising of commodities

Change in income distribution among consumers

Change in population size in commodity markets

Change in consumers incomes

Change in tastes and preferences of consumers

APPROACH WITHUSE OF SIMILAR BUT WRONG DIFFERENTIATING WORDS.

When differentiating or distinguishing economic terms and concepts, some students use similar but wrong differentiating and distinguishing words, for example WELL AS instead of WHERE AS, BUT and YET.

1: a (i) Distinguish between creeping inflation and run away inflation.

Creeping inflation is where by the persistent increase in the general price level proceeds at a slow rate usually not exceeding 10%.

WELL AS

Run away inflation is where the general price increases at a very high rate, the increase takes place within hours, days or weeks.

(ii) State two causes of structural inflation in an economy.

FOR PART (b), A STUDENT SHOULD SAY,

Any two causes of structural inflation in an economy include the following;

Failure in the agricultural sector due to natural factors

Break down in the industrial sector

Scarcity/limited supply of raw materials or of inputs

Infrastructural break down i.e. roads, railways

Political unrest/instability discouraging investors

Speculation by business men who create artificial shortages by hoarding

In example 1, a (i) above studentsshould note that WELL ASis not in any case the same as WHEREAS.

USE OF BUT & YET INDISTINGUISHING ECONOMIC TERMS AND CONCEPTS

In the examples a (i) and b (i) BUT and YET are wrong differentiating and distinguishing economic words and students are advised to use them at any one moment.

1 a(i) Differentiate between a money market and Capital market.

A money market is one in which long term financial assets/ securities are exchanged.

YET

Capital market is one where long-term securities are traded.

(ii) Give any two functions of capital markets in your country.

Any two functions of capital markets in Uganda include;

Mobilizing saving

To encourage investment in the long run

To regulate the price of financial assets in the economy

To promote ease of convertibility of assets for example from near cash to cash.

Misallocation of resources due to unnecessary competition.

b (i) Differentiate between a commercial rent and Economic rent.

A commercial rent means payment made to the hire of a durable good or asset e.g. land, house

BUT

Economic rent is the extra, surplus or excess payment / income earned by a factor of production over and above its supply price.

(ii) Give any two factors that influence the level of economic rent.

Degree of specificity of a factor of production

The level of supply of a factor of production

The level of demand for a factor of production

The elasticity of supply of a factor of production

Elasticity of demand for a factor of production

DISTINGUISHING &DIFFERENTIATING USING EXAMPLES ECONOMIC EXAMPLES

1.a (i) With examples distinguish between injections into and leakages from the circular flow of income in an open economy.

Injections are Additions / inflows into the circular flow of income coming from outside the expenditure of domestic firms and house holds. EXAMPLES in an open economy include Investments, Government expenditure, Exports and Capital inflows

WHILE

Leakages are withdraws or potential spending that goes out of the circular flow of income. EXAMPLES in an open economy include Savings, Taxation, Expenditure on imports, and Capital out flows.

b (i) With examples define non-banking financial intermediaries that exist in an economy.

Non –banking financial intermediaries are financial institutions which receive deposits, give out loans but do not create credit. EXAMPLES of Non-banking financial intermediaries include Development banks, State Coperations, Insurance Companies, Housing Finance Company

(ii) State any two functions of non banking financial intermediaries in your country.

Any two functions of non banking financial intermediaries in Uganda include;

Giving loans and mortgages

Promoting / encouraging Savings / Accept deposits

Encouraging investment

Encouraging trade in the economy

<u>LIMITATION OF POINTS/ ANSWERS AS REQUIRED BY SECTION A QUESTIONS.</u>

Students should not limit themselves to the exact number of answers Instead a student is advised to give more than two factors such that in the event where a student gives five factors but fails the first three but gets right the last two factors, then such a student can get the two marks than a student who gave exactly two factors and failed all.

1 a (i) Give <u>any</u> two factors that determine quantity demanded of a commodity.

Any two factors that determine quantity demanded of a commodity in an economy include;

Level of the privatization in the economy✕

Level of technology and planning in the economy✕

b. (i) Give <u>any</u> two factors that determine quantity demanded of a commodity.

Any two factors that determine quantity demanded of a commodity in an economy include;

Level of the privatization in the economy✕

Level of technology and planning in the economy✕

Level of infrastructural development like roads✕

The size of the population ✓

Tastes and preferences✓

APPROACH OF QUESTIONS REQUIRING ECONOMIC CIRCUMSTANCES

Questions of under what circumstances require a student to use the appropriate Qualifiers like, WHEN, IF, INCASE, WHERE, WHILE.

1. a (i) What is meant by the term opportunity cost?

Opportunity cost refers to the alternative foregone when choice is made. Or Opportunity refers to the next alternative foregone when choice is made.

(ii) Under what circumstances may the concept of opportunity cost be important in an economy?

Circumstances under which opportunity cost May be important in an economy include;

When firms are making production for example resource allocation.

When producers are making production decisions.

When labour is making decisions on whether to work or enjoy leisure.

When a country is deciding on what to produce for international market.

When pricing factors of production.

(b) Under what circumstances may inflation be desirable in an economy?

Circumstances under which inflation may be desirable in an economy include;

When there is need to stimulate investment, mild inflation encourages producers because of the high profits realized to carry out investment.

When inflation is used by government as a means of forced savings

Where there is need to stimulate economic growth through increase in aggregate demand and increased investment.

When there is need to increase the level of investment so as to increase employment opportunities.

When government wants to increase its tax revenue, increased profits will lead to increased investment and hence increasing the government tax revenue.

When there is need to expand / stimulate market for goods and services.

During a recession or depression, inflation is desirable to revive the economy.

Where there is need to stimulate or increase employment opportunities.

(c) Under what circumstances are Trade Unions justified to demand for high wages?

Circumstances under which Trade Unions are justified to demand for high wages include;

Where workers doing similar jobs are paid higher wages than what they are being paid.

When the employer fails to pay the minimum legislated wage as set by the government.

When employers earn high and supernormal profits out of the productive out put

When labour has high skills to offer to the employers in terms of production

When there is increasing work load without corresponding increase in their payments.

When there is Full employment of labour then workers are justified to demand for high wages

Where workers in the comparable occupation have got high wages.

When demand for the products is inelastic and workers get to know.

When there is rising cost of living/inflation in the economy.

When workers feel the wage being paid to them is low i.e. when they feel exploited.

When the employer has failed to implement earlier agreed upon wage.

Where labour is doing or involved in risky work for the employer.

<u>APPROACH OF QUESTIONS REQUIRING USE OF CALCULATIONS & FORMULAS.</u>

Questions involving calculations calls for a student clearly state the formulas involved and the necessary workings leading to the answers other wise a student may loose marks.

1. a(i) Define price elasticity of demand.

Price elasticity of demand is the degree of responsiveness of quantity demanded of a commodity to changes in the commodity's own price.

(ii) Given that the price of commodity X increased from shillings 2000/= to shillings 2500 in 2011 and that quantity demanded of commodity X decreased from 400 kgs to 200 kgs in the same year.Calculate the price elasticity of demand for commodity X

PED $=(-)\left(\frac{\Delta Q}{\Delta P} \times \frac{P}{Q}\right) = (-)\frac{200 - 400}{2500 - 2000} \times \frac{2000}{400}$

$= (-)\frac{-200}{500} \times \frac{2000}{400} =$ PED = 2

(iii) What type of elasticity does the commodity have, Give a reason for your answer.

The price elasticity of demand of commodity X is elastic, Reason being that elasticity of demand is more than one.

b (i) When the price of posho increased from shillings 1200/= to shillings 1500/=, the quantity demanded of the same commodity decreased by 25%.Calculate the price elasticity of demand.

PED = $\frac{\%\, changeinquantitydemanded}{\%\, changeintheprice}$

% change in the quantity demanded = 25%,$\frac{300}{1200} \times\ 100\ = 25\%$, PED = $\frac{25}{25}$ = 1

% change in the price = $\frac{1500 - 1200}{1200} \times 100$ **(ii) State the type of elasticity that the commodity has and give a reason for your answer.**

Unitary elasticity of demand because the percentage change in price and quantity demanded is equal to one.

c (i) Given that the price of commodity S increased from shillings 2400 to shillings 3000 per kg and quantity demanded of the same commodity decreased from 80 kgs to 60 kgs daily. Calculate the price elasticity of demand for commodity S.

PED $=(-)\left(\frac{\Delta Q}{\Delta P} \times \frac{P}{Q}\right) = (-)\frac{60 - 80}{3000 - 2400} \times \frac{2400}{80} = (-)\frac{-20}{600} \times \frac{2400}{80}$

= PED = 1

c (ii) State the type of elasticity for commodity S and Give a reason to support your answer.

Commodity S has a unitary elasticity, Reason being that elasticity of demand is equal to one.

d (i) Given that the price of a commodity increased from Shillings. 500 to Shillings. 1000 per kg and quantity demanded of that commodity decreased from 25 kg to 20 kgs per day. Calculate the price elasticity of demand.

PED = $(-)\left(\frac{\Delta Q}{\Delta P} \times \frac{P}{Q}\right) = (-)\frac{20-25}{1000-500} \times \frac{500}{25} = (-)\frac{\mathbf{-5}}{\mathbf{500}} \times \frac{\mathbf{500}}{\mathbf{25}}$

= PED = 0.2

(ii) State the type of elasticity that the commodity has.

Since the price Elasticity of Demand is less than 1, then the commodity is said to have inelastic demand.

e (i) Given that the price of commodity R increased from shillings 10,000/= to shillings 15,000/= and quantity demanded of the same commodity remained 50kgs.Calculate the price elasticity of demand for commodity R.

PED =$(-)\left(\frac{\Delta Q}{\Delta P} \times \frac{P}{Q}\right) = (-)\frac{50-50}{15000-10000} \times \frac{10000}{50}$

$= (-)\frac{0}{5000} \times \frac{10,000}{50}$ = PED = 0

(ii) State the type of elasticity that the commodity has and give a reason for your answer.

Commodity R has a perfectly inelastic demand, Reason being that elasticity of demand is zero.**(iii) State any three uses of price elasticity of demand in your country.**

Any two uses of price elasticity of demand in Uganda include the following;

Guides in government taxation policies

Helpful in Exchange rate manipulation

Helpful when it comes to pricing commodities

Guides in the process of wage determination in the economy

Helpful in determining the incidence of a tax

Guides in government subsidization policy

It is also used as a basis for price discrimination

Helpful in guiding the consumer in planning expenditure

f.(i) Define income elasticity of demand

Income elasticity of demand is the degree of responsiveness of change in quantity demanded of a commodity to changes in consumer's income.

(ii). When the consumers income increases from shillings 20,000/= to shillings 30,000/=, the quantity demanded of commodity X remains unchanged at 50 kgs on a weekly basis. Calculate the income elasticity of demand for commodity X.

$$\textbf{YED} = \frac{\boldsymbol{Proportionatechangeinquantitydemandedof X}}{\boldsymbol{Proportionatechangeinincome}}$$

$$= \frac{\Delta QX}{\Delta Y} \times \frac{Y}{Q} = \frac{50-50}{30{,}000 - 20{,}000} \div \frac{20{,}000}{50} = \frac{0}{10{,}000} \times \frac{20{,}000}{50}$$

$$\text{YED} \quad = 0$$

(iii) What type of commodity is X?

Commodity X is a necessity because it has got zero income elasticity of demand.

g. (i) Study the table below showing income and quantity demanded of commodity X and answer the questions that follow. Calculate the income elasticity of demand for commodity X.

Income (Ug.Shs)	**Quantity demanded of X (kg)**
10,000	**50**
30,000	**20**

$$\textbf{YED} = \frac{\boldsymbol{Proportionatechangeinquantitydemandedof X}}{\boldsymbol{Proportionatechangeinincome}}$$

$$= \frac{\Delta QX}{\Delta Y} \times \frac{Y}{Q} = \frac{20-50}{30{,}000 - 10{,}000} \div \frac{10{,}000}{50} = \frac{-30}{20{,}000} \times \frac{10{,}000}{50}$$

$$\text{YED} \quad = \quad \frac{-3}{10} or - 0.3$$

(ii) What type of commodity is X? Give reasons for your answer.

Commodity X is an inferior or giffen good, Reason being that the negative coefficient of income elasticity of demand, this means that as the consumer's income increases, the amount demanded of commodity X decreases.

h. (i) When the income of the consumer increases from shillings 12,000/= to shillings 18,000/= the quantity demanded of commodity Fchanged from 350 kgs to 420 kgs on a weekly basis.Calculate the income elasticity of demand for commodity F.

$$\text{YED} = \frac{Proportionatechangeinquantitydemandedof F}{Proportionatechangeinincome}$$

$$= \frac{\Delta QF}{\Delta Y} \times \frac{Y}{F} = \frac{420-350}{18{,}000 - 12{,}000} \div \frac{12{,}000}{350} = \frac{70}{6{,}000} \times \frac{12{,}000}{350}$$

$$= \text{YED} \quad = \frac{2}{5} \text{ or } 0.4$$

(ii) What type of commodity is F?

Commodity F is a normal good because it has got a positive income elasticity of demand.

(iii) State any three uses of Income elasticity of demand in your country.

Any two uses of Income elasticity of demand in Uganda include the following;

Helps producers to forecast future demand as income changes

Helpful as a guiding tool in government taxation policies

Helpful in determining the nature of goods for example inferior, normal

I a.(i) Define the term cross elasticity of demand?

Cross elasticity of demand is the measure of the degree of responsiveness of quantity demanded of a commodity to changes in prices of other commodities.

(ii) Given that the price of commodity Y falls from 1000/= Shs to 800/= shs per kg and quantity demanded of commodity X increases from 20 kgs to 30 kgs per day. Calculate the cross elasticity of demand and show how the two commodities X and Y are related.

$$\text{CED} = \frac{\Delta QX}{QX} \div \frac{\Delta PY}{PY} \quad \text{i.e. } \frac{\Delta QX}{QX} \times \frac{PY}{\Delta PY} = \frac{30 - 20}{20} \times \frac{1000}{800 - 1000} = \frac{10}{20} \times \frac{1000}{-200}$$

$$= \frac{-5}{2} = \text{CED} = \text{-2.5}$$

Commodities X and Y are complementary goods because they negative cross elasticity of demand.

(iii) What is the relationship between commodity X and Y.

Commodity X and Y are substitutes because they have got a positive cross elasticity of demand.

j. (i) Study the table below and calculate the cross elasticity of demand for commodity Y.

Year	**Price of commodity X in Shs.**	**Quantity demanded of commodity Y**
2011	**1000**	**100**
2012	**1500**	**125**

CED = $\frac{\Delta QY}{QY} \div \frac{\Delta PX}{PX}$ i.e. $\frac{\Delta QY}{QY} \times \frac{PX}{\Delta PX} = \frac{125 - 100}{100} \times \frac{1000}{1500 - 1000}$

$= \frac{25}{100} \times \frac{1000}{500} = \frac{1}{2}$ = CED = 0.5

Example 3:

(a) Given that the price of a commodity Y decreased from shillingss.15, 000 to shillings. 10,000 and quantity demanded of a related commodity Z increased from 200,000 kg to 600,000kg, calculate the cross elasticity of demand for commodities Z.

Calculation of the cross elasticity of demand for commodity z is as follows;

CED = $\frac{\Delta QZ}{QZ} \div \frac{\Delta PY}{PY}$ i.e. $\frac{\Delta QZ}{QZ} \times \frac{PY}{\Delta PY}$

$= \frac{600{,}000 - 200{,}000}{200{,}000} \times \frac{15{,}000}{10{,}000 - 15{,}000} = \frac{400{,}000}{200{,}000} \times \frac{15{,}000}{-5000}$ = CED = - 6

(b) State the relationship between commodities Y and Z.

Commodities y and z are complements

Example 1:Define price elasticity of supply.

Price elasticity of supply is the measure of the degree of responsiveness of quantity supplied of a commodity to change in price of a commodity.

(b) The price of posho increased from shillings 800 per kg to shillings 1200 per kg. The quantity supplied of posho in the market increased from 2,000 tonns to 5,000 tonns. Calculate the price elasticity of supply of posho.

$$\text{PES} = \frac{\Delta Qs}{\Delta P} \times \frac{P}{Qs} = \frac{5000 - 2000}{1200\ \ 800} \times \frac{800}{2000} = \frac{3000}{400} \times \frac{800}{2000} = \frac{3}{4} \times \frac{8}{2}$$

= PES = 3

(c) What type of elasticity does the commodity have? Give a reason for your answer.

The commodity has got elastic supply, reason being that because elasticity of supply is more than one but less than infinity.

Example 2:

(a) Calculate the price elasticity of supply for commodity X using the table below.

Price of commodity X (Shillings)	Quantity supplied of commodity X (Kgs)
10,000	**100**
15,000	**125**

$$\text{PES} = \frac{\Delta Qs}{\Delta P} \times \frac{P}{Qs} = \frac{125 - 100}{15{,}000 - \ \ 10{,}000} \times \frac{10{,}000}{100} = \frac{25}{5000} \times \frac{10{,}000}{100} = \frac{25}{5000} \times \frac{10{,}000}{100}$$

PES = $\frac{1}{2}$ or 0.5

(b) What type of elasticity does the commodity have? Give a reason for your answer.

Commodity X has inelastic supply, Reason being that because price elasticity of supply is less than one.

Example 3:

Calculate the price elasticity of supply given that the price of a commodity increased from shillings 2,400/= to shillings 3000/= per unit and quantity demanded of the same commodity increased by 25%.

$$\text{PES} = \frac{\%\ PercentagechangeinQuantitySupplied}{\%\ PercentagePrice}$$

= % percentage change in quantity supplied =25%

= % percentage change in price = $\frac{600}{2{,}400} \times\ 100 = \ 25\%$

$$PES = \frac{25}{25} = 1$$

(b) What type of elasticity does the commodity have?

The commodity has a unitary elasticity of supply, Reason being that because elasticity of supply is equal to one.

APPROACH OF ECONOMICS QUESTIONS INVOLVING CALCULATIONS

1. a (i) Given a cash ratio of 0.1% and the initial deposit is twice shs.500, 000. Calculate the total credit created.

Total credit created = initial deposit × credit (bank) multiplier

= 500,000 × 2=1,000,000 = 1,000,000 x $\frac{1}{CR}$ OR $\frac{Initial}{cashratio}$But $\frac{0.1}{100}$ = 0.001

= $\frac{1,000,000}{0.001}$ = 1,000,000,000/= Shillings

Or = 1,000,000 x 1000 = 1,000,000,000/= Shillings

(ii) Credit multiplier

Credit multiplier = $\frac{1}{CR} = \frac{1}{0.001}$ = 1000 times

b.(i) Define the term Marginal propensity to save?

Marginal propensity to save refers to the proportion or fraction or percentage of an increase in income that is saved.

(ii) Given that the current level of Gross Domestic Product is 300 million shillings, the increase in national investment expenditure is 50 million shillings and the marginal propensity to save is 0.2, calculate the final level of national income.

GDP = 300m, Investment = 50m, Mps = 0.2

$$\Delta Y = \frac{\Delta I}{Mps} = \frac{50}{0.2} = 250\ MillionShillings$$

Therefore the final level of income = $O\Delta + \Delta Y$

= (300 + 250)= 550 Million Shillings

c. (i) Differentiate between Gross National Product (GNP) and Gross Domestic Product (GDP).

Gross National Product (GNP) is the measure in terms of money the value of goods and services produced by nationals of a country during a given period of time usually one year.

WHILE

Gross Domestic Product (GDP) is the money value of goods and services produced within the territorial boundaries of a country during a specified period of time usually one year.

(ii) Given that £500 billion, indirect taxes amount to £155 billion and subsidies are £200 billion. Calculate the GDP at factor cost.

GDP at factor cost = GDP market prices +Subsidies – Indirect taxes

= £500bn + £200 bn - £155bn = £545 billion.

d. (ii) Define the term marginal propensity to consume.

Marginal propensity to consume is the proportion of additional income that is spent on consumption.Or the ratio of change in consumption to change in income. i.e. $\frac{\Delta C}{\Delta Y}$

(ii) Given that the country's national income is Ug.Shs.100 million with 0.6 marginal propensity to consume, calculate the country's final level of income.

NY = 100m/= and Mpc = 0.6

Mps = 1 – 0.6 = 0.4, $K = \frac{1}{Mps} = \frac{1}{0.4} = 2.5$, $\Delta NY = NY \times k(multiplier)$

= 100m × 2.5 = 250 m,

The final level of income = 100m + 250m = 350m/=

e. (i) Differentiate between consumer surplus and producer surplus.

Consumer surplus refers to the additional utility that a consumer enjoys without paying for it. Or Consumer Surplus is the difference between what a consumer is willing to pay and what he actually pays.

WHILE

Producer surplus refers to the difference between the minimum possible price that a producer is willing to accept and what he actually receives / earns from the sale of his commodity. Or It refers the excess of a producer's receipts over the minimum that would have to be paid to persuade them to produce a given quantity.

Illustration

(ii) Study the table below and answer the questions that follow.Calculate the consumer's surplus if 4 units of the commodity were purchased at shs 150.

Price consumers are willing to pay (shs)	**Units of comm. X Purchased**
300	**1**
250	**2**
200	**3**
150	**4**
100	**5**
50	**6**

Consumer surplus = Planned Expenditure – Actual Expenditure.

= (300+250+200+150) – No of units bought × Market price

= (300+250+200+150) – (4 × 150) = 900 – 600 = Shs 300/=

Units very important, if student has not stated units award zero marks.

OR. C.S = (300+150) + (250-150) + (200-150) + (150-150)

= 150 + 100 + 50 + 0= Shs 300/=

f. (i) Describe how price indices are computed / compiled in an economy.

Prices indices are computed in an economy in the following ways;

First, by selecting a basket of goods commonly consumed by the society as a representative goods to determine the cost of living, the commodities should be those which consumed by the majority of the households.

By choose a suitable base year, one where prices are assumed to be constant to serve as a satisfactory basis of comparison for all the other years.

Through collect prices of the selected goods/commodities in the base year and taking the same goods to the current year and obtaining the current year prices.

By attaching weights to the commodities selected according to their relative importance to the consumer.

By calculating the simple price index or relative price index for each commodity, it is the measure of the change in price of each commodity from the base year to the current year and it determines the relative % change in the price of each commodity from the base year to the current year. SPI $=\frac{Current year price}{Base year price} \times 100$.

By calculating the average simple index got by dividing the summation of price relatives over the number of commodities. ASPI $= \frac{\sum Price relatives}{Number of commodities}$

By calculating the weighted price index for each commodity. This gives the value to the commodity in terms of relative importance. WPI=price relative x weight.

By calculating the Average weighted price index and this is the summation of the price relatives multiplied by the weight and divided by the total weight. AWI$=\frac{\sum PriceR \times Weight}{Total weights}$

(ii) Study carefully the table below and answer the questions that follow. Calculate the price relatives for each commodity.

Commodity	Base year Price (Shs)(2005)	Base year index (2005)	Current year Prices (Shs)(2006)	Simple Price Index (2006)	Weights	Weighted index 2006
Rice	**200**	**100**	**150**	**75**	**4**	**300**
Posho	**250**	**100**	**300**	**120**	**1**	**120**
Matooke	**150**	**100**	**240**	**160**	**3**	**480**
Beans	**400**	**100**	**400**	**100**	**5**	**500**
P araffin	**300**	**100**	**450**	**150**	**2**	**300**

Calculation of price relatives for each commodity involves the following;

Simple index $= \frac{P_t}{P_O} \times 100$, Where P_t is current year price, P_O is base year price

Rice =$\frac{150}{200} \times 100$ =75**Posho**= $\frac{300}{250} \times 100 = 120$

Paraffin = $\frac{450}{300} \times 100 =$ 150

Matooke =$\frac{240}{150} \times 100$ =160 **Beans** = $\frac{400}{400} \times 100 = 100$

(iii) Calculation of the weighted index for each commodity involvs the steps below.

Weighted index = Simple Price Index × Weight

Rice= 75 × 4 = 300,**Posho** = 120 × 1 = 120,**Matooke** = 160 × 3 = 480

Beans = 100 × 5 = 500, **Paraffin** = 150 × 2 = 300

(iv) Calculation of the Simple index for 2006 includes the following calculation steps.

Simple Index for 2006 = $\frac{\sum Pricerelatives}{Number of commodities} = \frac{75+120+160+100+150}{5} = \frac{605}{5} =$ 121

Nb. This shows that the price increased by 21% meaning there was inflation

(v) Calculation of Average weighted index for 2006 includes the following steps;

Average Weighted Index for 2006 = $\frac{\sum PriceRelatives \times Weights}{\sum weights} = \frac{300+120+480+500+350}{4+1+3+5+2}$

$$= \frac{1700}{15} = 113.333$$

This shows that the price increased by 13.333% meaning there was inflation.

APPROACH OF ECONOMICS QUESTIONS REQUIRING CHARACTERISTICS

Questions of this nature require students to give typical features or qualities of economic concepts being examined in a precise and concise format.

1. (a) Mention any four characteristics of Rostow's Take off stage of Economic growth.

Any four characteristics of Rostow's Take off stage of economic growth include;

High investment of about 10-15% of GDP/NY/GNY

High savings of about 10-15% of GDP/NY.GNY

High level of infrastructural development

High level of urbanization in the economy

High literacy rates/social transformation

Emergence of new markets both domestic and abroad

Appearance of a leading sector/ high level of industrialization

High level of employment opportunities in the economy

(b) Mention any four characteristics of economic under development in your country.

Any four characteristics of economic under development in Uganda include the following;

Low income / savings / investment

High levels of unemployment rates especially among the youth

High population growth rates in some regions of Uganda

Dominance of the agricultural sector/primary production

Low technological development

Low levels of life expectancy / poor health facilities

High degree of illiteracy among the population

Large subsistence sector/ production for own consumption

Political immaturity / low levels of democracy

APPROACH OF QUESTIONS REQUIRINGECONOMIC FEATURES & STRUCTURES.

Questions of this nature require students to use the correct qualifiers such as **MOSTLY,MAINLY, MANY, MOST, DOMINATED, BASICALLY, HIGHLY**, these qualifiers show that the nature of a particular feature is to a great extent.

1. (a) Mention any four features of your country's economy.

Any four features of Uganda's economy include the following;

Most labour force is predominately un skilled / high level of illiteracy

Predominately agricultural in nature i.e. food and cash crops

It is basically a dualistic economy with traditional and modern sectors

Small but growing industrial sector especially the agro and manufacturing

Mostly it is a dependant economy i.e. on other developed economies

Most resources are under utilized / high levels of unemployment

High population growth rates relative to economic growth

Dominated by a fast growing informal sector/It is basically a an open economy

(b).Describe the features of the industrial sector in your country.

Description of the features of the industrial sector in Uganda Include the following.

The industrial sector is mainly dominated by small scale industries

Most of the industries are privately owned/ owned foreigners

Mainly produce low quality goods due to use of poor technology

Many industries in Uganda are agro-based, meaning they process agric products.

They basically employ unskilled/semi skilled labour in their processing plants.

Most of the industries are privately owned especially by foreign investors.

The industries produce mainly poor quality products due to poor technology

Basically depend on imported raw materials for their secondary production.

Mostly urban based, for example in Uganda's major towns like Jinja and Kampala

Most industries produce at excess capacity

(c).Describe the major features of the Agricultural sector in your country.

Description of the major features of the Agricultural sector in Uganda Include;

Mainly dominated by small scale peasant agriculture.

Production is basically for domestic consumption and domestic markets.

It employs mostly unskilled and semi skilled labour force especially family labour.

Mostly employs simple technology which is labour intensive technology.

Basically depends on natural factors with limited innovations.

Basically produces food crops with a limited range of cash crops.

Mostly produces low quality and poor quality products due to high use of poor technology.

Agriculture is the dominant economic activity in Uganda.

Agriculture is the major employer of labour with about 80% in the sector

Agriculture is the major contributor of government revenue.

Major provider of raw materials to the industrial sector.

Examples of Similar Examinable Economics Questions

Describe the structure of the exports of your country. Describe the population structure of your country. Describe the features of small scale industries in your country.

<u>**APPROACH OF QUESTIONS REQUIRING ECONOMIC CONDITIONS**</u>

Questions of this nature require students to give situations that must be in existence in order for something to happen.

1.(a) State any three necessary conditions for price discrimination to succeed.

Any three necessary conditions for price discrimination to succeed include the following;

The market should be divided into sub-markets for example basing on geographical separation.

The consumer must be ignorant about the existence of other cheaper markets

Personal services which can not be transferred from one person to another e.g. medical

The producer must be a monopolist/There must be one producer of the commodity/The commodity must not have a close substitute.

High cost of transferring the commodity from one market to another by a consumer.

Different elasticities of demand in different markets

The marginal revenue in the different markets should be the same

No government interference in the market

Where goods are sold on special order or contract

(b) State any four conditions necessary for successful regional economic integration.

Any four conditions necessary for successful regional economic integration include the following;

Countries intending for economic integration must have well developed

infrastructures Countries should be in the same region / share common boundaries

Countries must be relatively on the same level of development

Intending countries should have relatively similar political ideologies

Intending countries should de approximately of the same population size

Countries should be ready to uphold good political relations.

Comparative advantage must differ among countries i.e. there should be

specialization on different products.

APPROACH OF NEUTRAL QUESTIONS IN ECONOMICS EXAMINATIONS.

Neutral questions require neutral answers/points. Neutral questions don't reveal the degree of what is being asked whether low or high, good or Poor, adequate or inadequate, favouarable or unfavorable, Low or High.

1. a(i) What is meant by the term Efficiency of labour?

Efficiency of labour is the measure of the quantity and quality of out put that a unit of labour can produce within a given period of time. Or Efficiency of labour is the ability of labour to achieve greater out put in a shorter time without any decline in quality of work/ out put.

(ii) State any three factors which determine efficiency of labour in an economy.

Any three factors which determine efficiency of labour in an economy include;

Working conditions /welfare services to workers

Level of payment/wage payment

Level of education and training/level of skills

Level of division of labour/specialization

Level of experience/Degree of expertise

Level of innovations and inventions of individuals

Quality of management/supervision/organization

Workers attitudes towards work

b. (i) What is meant by the term Labour Productivity?

Labour productivity is the amount of out put produced per unit of labour employed during a given period of time.

(ii) State any three factors which determine Labour productivity of in an economy.

Any three factors which determine labour productivity in an economy include;

Level of technology

Wages (motivation/remuneration)

Level of skills/level of education

Level /degree of specialization

Level of innovations and inventions

Working conditions/environment

Workers attitudes towards work

Physical ability or health conditions of workers.

c. (i) Give any four factors that influence the process of credit creation in your country.

Any four factors that influence the process of credit creation in Uganda are;

Level of interest rates

Size of the bank deposit

Central bank interference through the monetary policy

Level of investment

Level of liquidity preference

Availability of credit worth clients

Level of cash ratios/reserves

Degree of accountability

APPROACH OF BIASED QUESTIONS IN ECONOMICS EXAMINATIONS

Majority of the students find it difficult differentiating between neutral and biased questions, students are required to determine whether the degree of biasness is high or low, Good or Bad, Adequate or inadequate about the question being examined.

1.a (i) Give any three factors that hinder occupational Mobility of labour.

Any three factors that hinder / limit occupational mobility of labour include;

Good working conditions at the current job.

High wages offered to labour at the current job.

Labour being highly specialized.

High population growth rates

APPROACH OF ECONOMICS QUESTION REQUIRING INSTRUMENTS OR TOOLS.

Questions of this nature require students to give tools or devices used in a particular economic situation for example commercial or monetary situations.

1. a (i) Define the term commercial policy.

Commercial policy refers to government policy meant to influence and direct the volume, value and direction of trade in an economy.

(ii) Sate any three instruments of commercial policy in your country.

Any three instruments of commercial policy in Uganda include the following;

Taxes

Subsidies

Total ban / trade embargo

Manipulating of exchange rates

Quality control measures

Administrative controls for example licencing, physical checks etc

b. (i) Differentiate between creeping inflation and run away inflation.

Creeping inflation is where the persistent increase in general price level proceeds at a slow rate usually not exceeding 10%.

WHILE

Run away inflation is where the general price increases at a very high rate, the increase taking place within hours, days or weeks.

(ii) Mention any three policy instruments for controlling inflation in your country.

Any three policy instruments of controlling inflation in Uganda include are;

High direct taxes to cut down the spending patterns

Controlled government expenditure

Selling of securities i.e. bonds and treasury bills

Currency reforms i.e. printing of new currency

Liberalization of the economy

Privatization drive i.e. sale of state enterprises

APPROACH OF ECONOMICS QUESTIONS REQUIRING ECONOMIC CHALLENGES.

Questions of this nature require students to give difficult economic tasks of concepts being examined in a precise and concise format. Challenges can be obstacles.

1.(a) Examine the challenges facing the private sector in LDCs.

Challenges facing the private sector in LDCs include the following,

Inadequate capital for long term productive investment

Limited skilled manpower required in the productive sector

Small markets due to low purchasing power for the private sector goods and services

Unfavourable government policies for example high taxation

Stiff competition from the imported commodities and services

Ineffective enforcement of patent / copy rights

Bureautic delays.

Low / unsatable prices / inflation

Political instabilities / insecurity in some parts of the country.

Poor infrastructure

Limited entrepreneur skills.

(b) What measures should be taken to promote the private sector in LDCs.

Measures that should be taken to promote the private sector in LDCs include, (measure should be suggestive in nature)

Privatization of the public enterprises

Liberalization of the economy

Infrastructures. The government of Uganda should allocate more resources towards building sound economic infrastructures like roads, railways and industries.

Improving / maintenance of stable political climate

Putting in place favourable investment climate for example reducing taxes and increasing subsidization.

Technology and Research. The government should make sound improvements in technology research

Markets. The government should concentrate on commodity market expansion both at local and international levels in order to increase on production.

Corruption. Government should fight corruption through anti corruption legislations or laws.

Investment body. Government should form an investment body or authority purposely to cater for the investment needs of the private sector.

Stable economic climate. The government of Uganda should come with sound macro economic policies that can fight inflation and keep prices stable.

APPROACH OF ECONOMICS QUESTIONS REQUIRING ECONOMIC FORMS

Questions of this nature require students to give ways in which a particular concept is presented. Qualifiers include; Through, By, Use of,

1. (a) Describe the forms of non price competition used by oligopoly firms in your country.

Description forms of non price competition used by oligopoly firms in Uganda include these below;

Through persuasive advertising

By offering of free sales services for example car washing

By offering of gifts to clients like soap, omo, sweets

Through attractive packaging of products

By sponsoring community sports events like foot ball

Use of credit facilities / installment selling

Through opening branches / distribution branches or points

Use of promotional offers to clients

Use of appealing slogans, trade names and brands

Organizing of ruffles, draws, consumer games

Use of one stop shopping centre like at the fueling station

Through quality improvement in products

APPROACH OFQUESTIONS REQUIRING ECONOMIC PROBLEMS

Problems are economic difficulties which are hard to deal with or understand, so questions of this nature require students to identify such difficulties.

1. (a) Mention any four population problems in your country.

Any four population problems in Uganda include;

Heavy dependence burden hence poor standards of living

Income disparities among the population

Breeds social evils like prostitution due to lack of employment

Ever increasing pressure on available land

Pressure on existing infrastructure like health centres, schools

Low savings and investment levels

Increasing un employment problems in the economy

Leads to brain drain i.e. qualified labour goes in search of green pastures.

(b) Mention any four problems faced by public enterprises in your country.

Any four problems faced by public enterprises in Uganda include;

Limited capital to run the enterprises

Poor management of the enterprises

Interference of politicians in the running of the enterprises

Lack of proper accountability / corruption

Limited commitment and interest on the part of management and workers

Poor infrastructure especially for up country

(c) Outline four problems encountered in compiling national income data in your country.

Any four problems encountered in compiling national income data in Uganda are;

Limited statistical information on national income i.e. private incomes and expenditure

Difficulty in determining boundary of production i.e. what to include and exclude

Lack of trained personnel to collect and process data/ poor accounting system

Valuation of depreciation is difficult at times hence difficult in determining NNY

Price changes / Inflation which exaggerate national income figures.

Difficulty in valuing some items like gambling, prostitution

Problem of inventories and work in progress.

Double counting i.e. counting some goods more than once

Valuation of subsistence out put is difficult in monetary terms

(d) Mention any four problems encountered in the privatization of public enterprises in your country.

Problems encountered in the privatization of public enterprises in Uganda include;

Corruption in the privatization public units

Opposition from the public due to ignorance

Poor valuation of public enterprises that are on sale

Poor state of some of the public enterprises

Lack of well developed capital market

Political sabotage for example blocking a bill in parliament for sale of PEs

Poverty among the nationals forcing government to sale the enterprises to foreigners

Political instability in the country

APPROACH OF QUESTIONS REQUIRING ECONOMIC COMPARISIONS

1. (a) Distinguish between debt financing and taxation financing

Debt financing is where government borrows to finance its expenditure that may not be covered by tax revenue.

WHILE

Taxation financing is where government uses revenue from taxes to finance its expenditure.

(b) Present the advantages of debt financing over taxation financing.

Advantages of debt financing of debt financing over taxation financing;

Borrowing does not discourage savings and investment compared to taxation

Borrowing does not have negative political effects compared to taxes that may cost government political popularity

Sometimes it is easier to borrow than to tax

Borrowing helps to realize a lump sum of money compared to taxes where revenue comes in slowly.

Borrowing does not have adverse effects on consumption compared to taxation that reduces disposable income

Borrowing does not raise costs of production compared to taxation that leads to inflation as a result of indirect taxes in LDCs

Debt financing does not involve costly methods of collection compared to taxation through borrowing the government makes use of both foreign and domestic sources.

Borrowing does not raise costs of production unlike taxation that leads to increased costs of production.

APPROACH OF QUESTIONS REQUIRING ECONOMIC BARRIERS

1. a (i) What is meant by 'factor mobility'?

Factor mobility is the ease with which a factor of production can move from one occupation or geographical area to another.

(ii) Give any three barriers to factor mobility in your country.

Any three barriers to factor mobility in Uganda include the following;

High degree of specificity of factor of production

Poor health / old age among the labour force

Barriers by trade unions and professional bodies

Low payment in alternatives uses

High cost of transfer to other occupation

Fear of the unknown in other occupation

Impossible to move because of fixed nature of the factor e.g land, building

Worse conditions in alternative locations or occupations

Political insecurity in areas of alternative jobs

Social status in the case in the case of labour

APPROACH OFQUESTIONS REQUIRING METHODS, TOOL, WAYS,

Such questions require students to use the correct qualifiers like Through, Use of, by….

1.(a) How are prices determined in an economy?

Prices in an economy are determined through the following ways;

Through forces of demand and supply

Use of haggling / bargaining

By auctioning / tendering / bidding

Through sales treaties

(b) Outline any four methods used by trade unions to obtain wage increases for their members.

Any four methods used by trade unions to obtain wage increases for their members include.

Through collective bargain/round table discussions.

By sit down strikes

Use of slow down strike

Through industrial arbitration/mediation

Closed shop by abduction of key members of management

By demonstrating against low

Through sabotage for example media wars, boycotts

(c) Explaining method used to measure national income in an economy.

Methods of measuring national income in an economy include the following;

Out put approach. Use of this approach involves the adding up the money value of final goods and services from all productive activities in an economy in a given year.

Expenditure approach. This approach involves adding up all expenditures on final goods and services by households, firms, government and external sector in a given year. (C+I+G+X-M)

Income approach. This approach involves adding up all incomes of individuals/ firms engaged in producing goods and services in a given year. These include rent, wages or salaries, interest and profit. (W+I+R+P)

(d) Mention any four methods used to reduce the burden of public debts in Uganda.

Any four methods used to reduce the burden of public debts in Uganda include;

Use of foreign reserves or foreign exchange reserves

By disinvestment / sale of investment both at home and abroad.

By negotiating for debt cancellation / relief or debt waiver

Borrowing through sale of treasury bills and bonds through the central bank

By use of debt conversion

By sale of gold reserves

By utilizing grants, gifts and donations from foreign sources like IMF

Examples of Likely Examinable Questions

How can the current taxation system in your country be improved?

How does government finance a deficit budget?

APPROACH OF QUESTIONS REQUIRING ECONOMIC LIMITATIONS.

Questions of limitations require students to be very careful when attempting such questions. Students should note that Limitations are not the same as Demerits or Disadvantages

1. (a) Give any four factors that limit occupational mobility of labour in your country.

Any four factors that limit occupational mobility of labour in Uganda include;

Inadequate information about existing job opportunities

High cost of training required in another job

Better working conditions in current jobs for example job security

Professional association limiting entry in certain jobs

High degree of specialization / high degree of specificity

Training period for new jobs

(b) Give any threefactors that limit the operation of the balanced growth Strategy.

Any three factors that limit the operation of the balanced growth Strategyinclude;

Limited capital to be invested in all sectors

Limited entrepreneurship ability in the economy

Limited skilled labour in various sectors

Poor / un coordinated government planning

Inadequate market / small market size for goods and services in the economy

Limited/low level of infrastructural development

Limited government control over the economy

Uncoordinated or poor planning by government authorities.

(c) What are the factors limiting economic development planning in LDCs?

Factors limiting economic development planning in LDCs are;

Interference by politicians/political sabotage especially here in Uganda.

Over dependence on foreign aid which is inconsistent, uncertain and tied.

Low levels of infrastructural development like roads

Inadequate funds or capital to implement long term plans

Non responsive growing private sector in most LDCs

Limited government intervention or commitment to development planning

Natural calamities which are difficult to control like drought

Failure to identify priority areas for development planning in majority LDCs

Limited political will by the people or the general public

Economic instabilities like inflation and unemployment

Corruption on part of the plan formulators and implementers

2. (a) Explain the Quantity Theory of Money.

The Quantity Theory of Money states that the General Price level is determined by the Velocity of money in circulation assuming that the Velocity of circulation (V) and the level of transactions (T) are constant.

MV = PT or P = $\frac{MV}{T}$Where M = Quantity of Money

V = Velocity of circulation, P = General Price Level, T = Level of transactions

(b) What are the limitations of the Quantity Theory of Money?

Limitations of the Quantity Theory of Money include the following

Changes in the value of money. The theory only attempts to explain changes in the value of money but not how the value of money is determined.

No General Price Level. There is no general price level but rather a series of price levels in the economy.

Constant variables. The theory assumes that the Velocity of circulation (V) and the level of transactions (T) are constant and this is not the case in real life.

Independent Variables. The four variables M, V, P and T are not independent of one another because a change in one induces change in others.

Transaction Motive. The theory considers only the transaction motive of holding money and ignores the precautionary and speculative motive.

Demand for money. The theory does not take into account the demand for money but instead looks at one side which is Money supply.

Interest rates. This theory ignores the influence of interest rates on the supply yet interest rate influence money supply for example high interest limit money supply as compared to low rates.

Haggling .This theory does not take haggling between buyers and sellers to reach an agreeable price into consideration yet buyers and sellers can bargain and reach an agreeable price.

Government. The theory does not take into consideration of government control of prices yet at times government influences price controls.

Other causes of price increase. The theory does not take into account other causes of price increases / inflation for example cost push and demand pull.

Barter trade. The theory ignores the possibility of barter trade yet in real life barter trade still takes place.

Truism. The theory is just a truism which merely shows that M, V, P and T are just related

<u>Examples of Likely Examinable Questions</u>

What factors limit the effective implementation of the monetary policy in your country?

Explain the factors which limit economic integration among developing countries.

<u>APPROACH OF ECONOMICS QUESTIONS REQUIRING MERITS AND DEMERITS.</u>

Questions of this nature require students to show or portray the quality of how good or bad the economic concept or term being examined is. Merits are advantages yet demerits are disadvantages.

1.a (i) What is meant by the term "subsistence out put"?

Subsistence out put is out put for the producer's own consumption.

(ii) Give any three demerits of a large subsistence sector in your country.

Any three demerits of a large subsistence sector in Uganda include;

Low levels of out put

Limited innovations and inventions due to reduced competition

Poor quality products

Low tax revenue / low tax base

Underutilization of productive resources

Under employment of labour existent in the market

(c) Mention any four demerits of economic dependence in your country.

Any four demerits of economic dependence in Uganda include the following;

It leads to under utilization of local resources/skills

Kills local initiatives/ encourages laziness

Compromised political independence of Uganda

Leads to a heavy debt burden of Uganda

Accountable for the persistent BOP problems

It discourages domestic savings and investment

It encourages capital out flows

Leads to external economic dominance of Ugandan economy by foreigners.

2.(a) How are profits maximized in a monopoly market situation?

Profit maximization under a monopoly market situation is as follows;

A Monopolist Maximizes profits in a market situation where Marginal Cost = Marginal Revenue (MC=MR) as shown in the illustration below (Point e)

He then charges price at a point where the out put line meets the demand / AR Curve at point M (OP0)

Profits are determined where Average Revenue is greater than Average Cost at equilibrium out put.

The Monopolist earns abnormal / Supernormal profits represented by the shaded area CoPoMN.

(b) Explain the merits and demerits of monopoly in an economy.

The merits of monopoly in an economy include the following;

Limited duplication and resource wastage because oflimited competition

Enerlagement of employment opportunities for example state monopolies

Abnormal profits are enjoyed in the long run.

Economies of scale. More economies of scale are realized and enjoyed because monopolies are usually large enterprises.

Research and innovations. Research and innovations are encouraged in the long run by use of the abnormal profits realized.

Price discrimination. Price discrimination is practiced and this benefit the poor by enabling them buy what they would not have afforded.

Sources of reverence to the government through taxation of all monopoly enterprises in the economy.

Public utilities operating as statutory monopolists provide cheap services to the public for example Nation Water and Sewerage Corporation.

Operational costs. Low operational costs are incurred for example limited advertising costs.

Growth and development of infant industries. Enables development and therefore growth of infant industries through protection of patent rights accorded to monopolists.

However monopoly has the following demerits in an economy;

Limited variety. Monopoly is associated with lack of choice for the consumers leading to limited consumer sovereignty.

Exploitation of workers. This takes the form of under employment and un employmentbecause majority of monopoly firms operate at excess capacity.

Shortages in the economy. Shortages are created especially in the times of economic break down leading to shortages in supply hence influencing price.

Exerting pressure on government. Monopolies Exert pressure on government especially in decision making like taxation which may not be desirable.

Existence of excess capacity. Excess capacity in some industries leading to under utilizations of productive resources in the economy.

Poor quality products and services. Poor and Low quality goods and services are produced due to lack of competition for example UMEME.

Consumer exploitation. by way of being charged high prices

Problem of income inequality.

Example 2:(a) Distinguish between Maximum price Legislation and Minimum price Legislation.

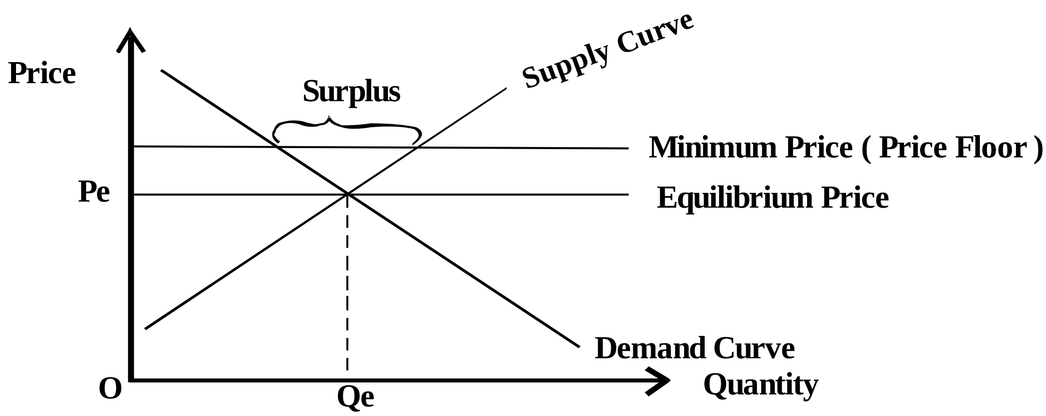
Maximum Price Legislation is a government policy of setting or fixing the price below the equilibrium price above which it is illegal to sell or buy the commodity. It is called a price ceiling.

An economic illustration of a maximum price Legislation (Price ceiling)

WHERE AS

Minimum Price Legislation is a government policy of setting or fixing the price a above the equilibrium price below which it is illegal to sell or buy the commodity. It is called a price floor.

An economic illustration of a minimum price Legislation (Price floor)



(b) Examine the merits and demerits of price control in an economy.

Merits of price control in an economy include the following;

Protects consumers from exploitation

Helps to control monopoly powers in the economy

Price stability is maintained/controlled inflation

Protects producers from being exploited

Leads to increase in out put

Helps to make commodities available to all groups of people in the economy

Helps to establish industrial peace

Enables the producer to realize stable prices.

Reduces income inequalities

May discourage consumption of undesirable commodities

However price control has the following demerits in an economy

Can lead to un manageable surplus problems of storage

Reduces incentives for private entrepreneurs and slow down economic growth

Leads to unemployment due to reduced investment

Leads to shortage in supply due to increase / excess demand (max p)

Inefficient allocation of resources due to distortion of the price mechanism

It is expensive for the government to enforce price control due to high administrative costs.

Encourages malpractices for example hoarding and smuggling

Leads to increase in costs of production

Reduction in social welfare because of the high costs of living (min p)

Production at excess capacity i.e. under utilization of resources.

<u>Examples of Likely Examinable Questions</u>

Explain the merits and demerits piece rate method of wage payment.

Explain the merits and demerits of export promotion strategy of industrial development.

<u>APPROACH OF ECONOMICS QUESTIONS REQUIRING TO ACCOUNT.</u>

Questions of account require students to give/state the reasons.

1. (a) Account for the privatization of public enterprises in your country.

Reasons for privatization of public enterprises, "In order to…………….." and "the how part is called for in a student's explanations"

Reasons for privatization of public enterprises in Uganda include;

To enables firms to operate more efficiently

Increases out put hence economic growth

Reduces corruption tendencies which are rampant

Attraction of foreign investments

Encourages competition hence improved quality

Creation of more job opportunities in the long run

Increases government revenue through taxation

Increases resource utilization

Reduces unnecessary bureaucracy in business management

Increases domestic output to control inflation and improve on the country's BOP position

Allows government to concentrate on the provision of essential services

Encourage private initiatives (innovations and creativity)

2. (a) Account for the wage differences in your country.

Differences in the nature of jobs

Variation in the levels of skills (education and training)

Differences in the bargaing strength of individual workers

Government policy on incomes and wages which tends to be non matching

Differences in the cost of living

Differences in experience or expertise or responsibility

Employer's ability or willingness to pay are not the same

Differences in the strength of trade unions

Differences in the number of hours worked- case with time rates

Differences in the people's ability to do work – case with piece rates

Differences in talents and natural gifts

Differences in elasticity of supply of labour

Discrimination in the labour markets on basis of sex, age, religion, race e.t.c

Likely Examinable Questions

Account for the persistent budget deficits in your country.

Account for the balance of payments disequilibrium in your country.

APPROACH OF OBJECTIVE NATURE ECONOMICS (WHY NATURE QUESTIONS)

Questions of this nature require students to know the differences between the objective "why" questions and the non objective or circumstance (why questions).

Questions of why need objective format of answer presentations just like in the above case of the arguments for or reasons for.

1.(a) Why is it necessary to levy taxes in your country?

Reasons why it is necessary to levy taxes in Uganda include the following;

To raise revenue for the government to meet her recurrent and development expenditure

To achieve equitable distribution of wealth in an economy

To protect local producers/industries from un fair foreign competition

To ensure steady economic growth

To regulate monopoly powers in an economy

Taxation is used as a means of forced savings

To allocate and regulate use of resources

To discourage production and therefore the consumption certain category of goods

It is a means of checking inflation in the economy

To help control excess importation hence regulate the country's BOP position

2. Why is it necessary to carry out economic development planning in your country?

Reasons why it is necessary to carry out economic development planning in Uganda include;

To correct deficiencies in the price mechanism

To relate the present to the future trends and targets

To achieve equitable distribution of resources/income

To solicit for foreign aid

To correct BOP problem to determine the rate of growth of the economy

To solve unemployment problems

For harmonious and consistent use of resources

To attain price stability in an economy

For resource mobilization

APPROACH OF CIRCUMSTANCEOBJECTIVE QUESTIONS (WHY NATURE)

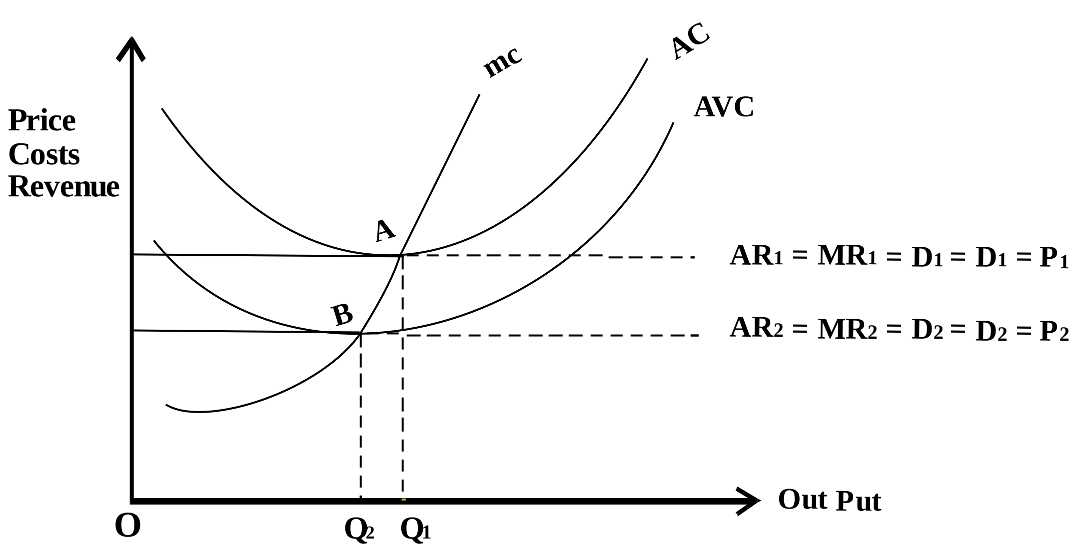
Circumstance objective economics (why questions) require circumstance format of answer presentations.

1. (a) Using a relevant illustration, distinguish between the break even and shut down points of a firm under perfect competition.

Break even point of a firm is the firm's level of out put at which its average revenue is equal to its average cost AR=AC.I.e. the firm is only covering its average total cost. At this point the firm earns normal profits.

WHILE

Shut down point of a firm is is the firm's level of output below which it cannot operate since it cannot cover both the average total costs and average variable costs. At this point the firm just covers its average variable costs.



(b) Why may a firm continue to produce even when its Average Variable Costs (AVC) are greater than its Average Revenue?

Reasons why a firm may continue to produce even when its Average Variable Costs (AVC) are greater than its Average Revenue include;

When it is a beginner firm

When it hopes to change its management in the near future

When it hopes to get a loan from the bank

Fear of losing market / good will

High costs may be of a seasonal or short run nature

May be the choice of the investor/ owner

May hoping to merge in the near future

The MR may be greater than the MC

If it is a branch of an industry it will continue to produce

When it is state owned firm offering an essential service

May be a research unit firm

Fear of loss of supplies of raw materials from its potential supply sources

Fear of losing its business contracts

May fear losing its skilled labour force

2. (a)Why may per capita income not be a good indicator of standard of living in an economy?

Reasons why per capita income may not be a good indicator of standard of living in an economy include the following;

It does not take into account the distribution of income i.e uneven distribution of income

It does not take into account the composition/type of goods produced i.e capital goods may be produced which do not directly people's welfare

It does not take into account the amount of leisure i.e long working hours

It does not take into account the working conditions for example occupational hazards

It does not consider the level of subsistence / non marketed out put

It does no consider price levels/ inflation

Does not take into account the political climate/political instability

It does not take into account the quality of goods produced i.e poor quality goods may be produced

Inaccurate statistical data for example population or GNP figures

It does not take into account social costs like pollution

The majority of the people may be unemployed for example due to use of capital intensive techniques of production

3. Why Price indices may be un reliable indicators of cost of living in an economy due to the following reasons;

Reasons why Price indices may be un reliable indicators of cost of living in an economy include the following reasons;

It is difficult to get a suitable base where prices where assumed to be constant

Lack of standard measures and units

Sampling of a small area to represent the entire population

Lack of skilled personnel to do the computations

Difficult in determining a representative basket of goods

Changes in the importance attached to commodities due to changing conditions in the economy

Commodities selected in the basket may go out of fashion

Price levels may change due to other factors and not inflation

It is difficult to have valid weights as spending patterns and tastes vary between societies

Quantities in societies that use barter may be arbitrary-so no standard measure

Problem of weighting, there is no standard weighting system because people attach different weights or importance to the commodities.

Examples of Likely Examinable Questions

Why is difficult to attain full employment in an economy?

Why is it necessary to compute national income statistics in an a country?

Why may per capita income not be a good indicator of standard of living in an economy?

APPROACH OF QUESTIONS REQUIRING ECONOMIC CONTRIBUTIONS.

Questions of this nature call for both positive and negative contributions of what is being examined.

1:(a) Assess the contribution of the informal sector to the economy of your country.

Positive contribution of the informal sector to the Ugandan economy includes;

Creation of employment opportunities to both skilled and unskilled labour force.

Production of locally affordable goods

Reduction of capital (foreign exchange) out flows

Provision of cheap training ground for the local labour force

Leads to development of entrepreneurial skills/ self initiative

Facilitates utilization of local idle local resources.

Increased a country's GDP through increasing on the production.

Contributes some revenue to the government through taxation.

Promotes technological development through encouraging innovations and inventions

Facilitates small scale industrial development,

Promotes commercialization the economy

However the negative contributions of the informal sector to the Ugandan economy include;

Congestion in sub urban areas.

Pollution and effects on development.

Encouraged duplication of services/wastage/competition.

Causes public revenue instabilities.

Hampered development or maintenance of quality services.

High administrative costs.

Gives rise to under employment and disguised unemployment.

2:(a) Assess the contribution of multinational corporations to the development of your country.

Positive contributions of multinational corporations in the development of Uganda include**;**

They fill the foreign exchange gap

Close the savings- investment gaps

Creation of employment opportunities

Source of government revenue through taxation

Means of technological transfer

Promotes development of local skills

Acceleration of growth of industrial sector hence the development of the economy

Development of infrastructure

Facilitates production of wide variety of quality products

They encourage competition which leads to improved efficiency of locally owned firms

Filling the manpower gap

Promotion of international cooperation and there fore increased volumes of goods traded

However the negative contributions of multinational corporations include these below;

Acceleration of capital out flow- BOP problems

Worsening of income inequalities

Promote external dependence of the economy

Out competes local firms

Unemployment problem resulting from use of advanced capital technology

Irrational use of resources leading to quick depletion

Regional /sectoral imbalance due to preference of urban concentration of their investment

Increase the social costs in the country

They normally out competes local firms.

Examples of Likely Examinable Questions

Assess the contribution of foreign capital investment to the development of your country.

APPROACH OF QUESTIONS REQUIRING FACTORS OF ECONOMIC INFLUENCE

Questions of this nature require students to give factors that have an effect on the process of credit creation.

1:(a) Mention any four factors that influence credit creation process in your country.

Any four factors that influence credit creation process in Uganda include the following;

Level of interest rates

Size of the bank deposit

Central bank interference through the monetary policy

Level of investment in the economy

Level of liquidity preference

Distribution of commercial banks

Availability of credit worth clients

Degree of accountability

Examples of Likely Examinable Questions

Discuss the factors that influence capital accumulation in your country.

Explain the factors that have influenced investment in the private sector in your country.

Explain the factors that influence people's standard of living in an economy.

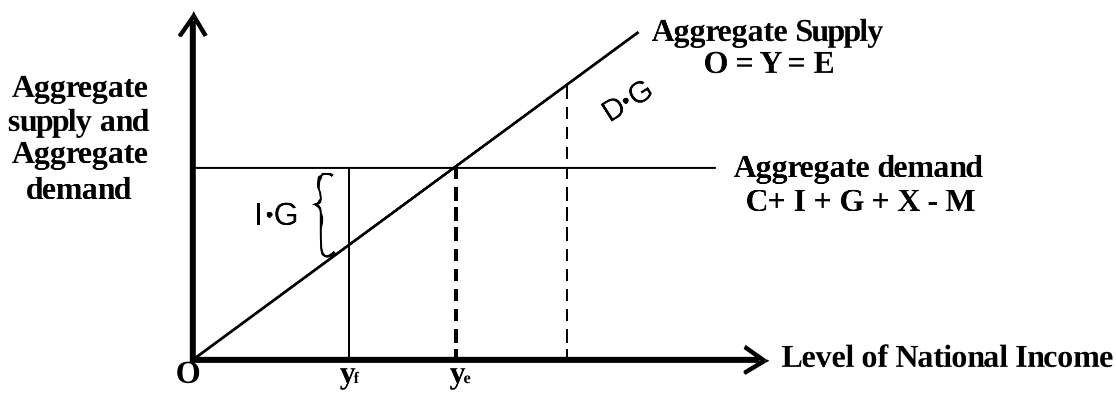
APPROACH OF QUESTIONS USING RELEVANT ECONOMIC ILLUSRATIONS.

An illustration is a drawing or a picture that explains a given statement.Illustrations are very important and matter a lot in answering Economics Examinations.Illustrations can be inform of examples, tables and diagrams, incase of diagrams.The diagram should have a title and a foot note. Credit is always given for use of relevant diagrams.

Example 1:(a) What is meant by an inflationary gap?

An inflationary gap is a situation where a country's aggregate demand exceeds aggregate supply at full employment.ORA situation where an economy's equilibrium level of National income is about full employment level of National income.

Illustration of an inflationary gap is below;



Ye –Equilibrium level of income

Yf- Full employment level of income

I.G- Inflationary gap

(b) State any three effects of inflationary gap in an economy.

Any three effects of an inflationary gap include the following;

It leads to persistent increase in price hence inflation.

It leads to upward pressure on factor prices

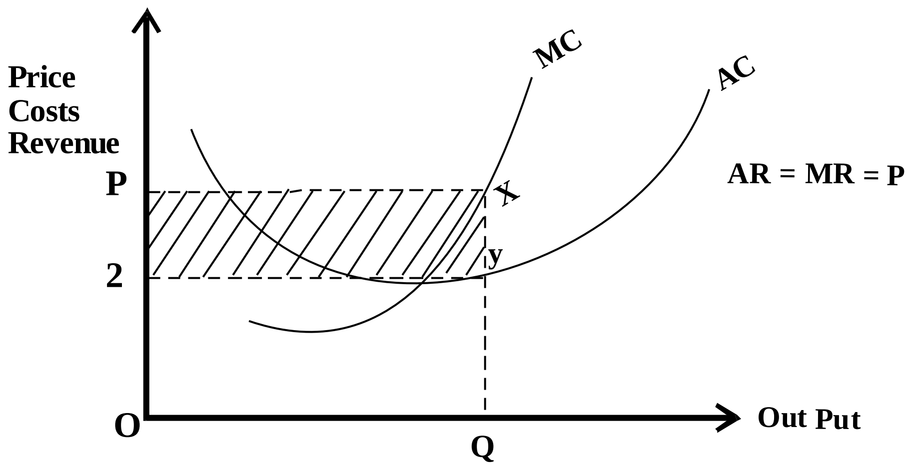
It leads to increased demand for factors of production

It results into increased or high profits for firms

Results into increased importation of goods

2.(a) How are profits maximized in a perfect competition market in a short run?

Profits in a perfectly competitive market in a short run are maximized where MC=MR as shown below;



The price is determined where the out put line meets the demand curve at point X

The abnormal / super normal profit earned is represented by rectangle PXYZ where price is greater Average cost.

Average Revenue is greater than Average Cost (AR > AC) at equilibrium.

(b) Examine the advantages and disadvantages of a perfectly competitive market.

Advantages of a perfectly competitive market include;

There is efficient allocation of resources in the long run/ optimum level (full utilization)

Wastage of resources. There is no wastage of resources / funds in advertising that would increase prices.

Increased out put. It ensures increased out put because of large number of firms.

Equitable distribution incomes. It ensures equitable distribution of incomes because of the many firms (entering and exiting)

Fair distribution of prices. It ensures fair and stable prices in the market.

Efficient standard. It provides an efficient standard or convenient measuring rod for comparison of price determined in other market.

Disadvantages of a perfectly competitive market include the following;

Ideal market situation. It assumes certain ideal market that do not exist in real life i.e. assumptions underlying the market structure are unrealistic.

Natural monopoly. It can not eliminate natural monopoly and business ownership of capital, a firm may be located very far from other firms and may enjoy its monopoly power.

Profit level. Low profit levels in the long run because normal profits limits research and innovations.

Economies of scale. Lack of economies of scale/limited expansion because firms earn normal profits in the long run.

Limited choice of commodities for consumers. This is because the commodities produced under perfect competition are homogenous in nature.

It may lead to unemployment in the long run since inefficient firms are pushed out of production.

Duplication of resources which leads to resource wastage in the economy.

APPROACH OF ECONOMICS QUESTIONS OF TO WHAT EXTENT

Questions of this nature require students to show both sides of the extent of what is being examined and the sequence of their answer presentation should also portray both sides of the extent, whether the extent is smaller or greater depends on the examiners setting.

1. (a) Explain the Malthusian theory of population.

(b) To what extent is the Malthusian theory of population relevant to developing countries?

Malthusian population trap/theory shows / explains how population growth depends on food supply or resources available.

According to the theory food production (resource exploitation) is slower than the rate at which population grows.

Malthusian population trap says (theory) states that there is a point when population growth equals food productivity, beyond which resources (food) would not be enough to sustain the population leading to misery, suffering and death.

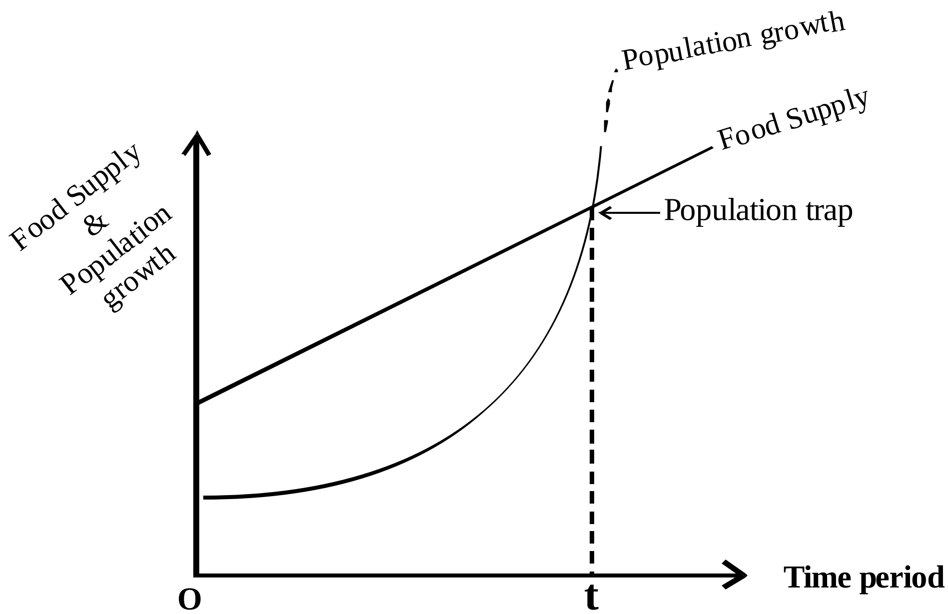
Students should note the slight difference between these two questions when attempting to answer them.

Explain the Malthusian theory of population.(Answer as below)

The Malthusian theory of population says/states that whereas population grows at a geometric rate, food production tended to grow at an arithmetic rate.

Malthus says that due to the above trend, population growth after a time, would strip food production (population trap) and after such a time there was need to control the population through preventive(Negative) checks like moral restraint, celibacy e.t.c otherwise positive checks like pestiliance wars, Epidemic, diseases e.t.c, would serve to reduce population growth,

This situation can be illustrated as below;



(b) The Malthusian population theory is to a lesser extent relevant to Developing countries in that;

Land supply being fixed and subject to law of diminishing returns is what is being experienced and he envisaged this situation.

Natural family planning methods/ control measures like celibacy are his initiation

The positive checks on population exist in LDCs today like epidemics, wars

Land problems / disputes are common issues in LDCs

Some areas in LDCs face food shortages.

To a great extent the theory is not applicable to LDCs in that;

It assumes constant technology which is not unrealistic since technology is over changing/ technological progress

It assumes a closed economy yet most economies of LDCs are open

Agricultural modernization is not foreseen by the theory yet this is taking place in most LDCs

Failure of the theory is to visualize labour mobility

Population growth does not depend on food alone

The theory is based on subsistence economy yet LDCs economies are not predominately subsistence any longer

The theory did not see the possibility of getting foreign aid/ resources from other countries

There is no mathematical relation as regards growth in food and population

The theory ignores the deliberate and scientific methods of birth control

Did not foresee great improvement in transport

Did not realize that rising living standards can cause a fall in birth rates and population

Examples of Similar Examinable Economics Questions

(a) Explain the Keynesian theory of unemployment.

(b) To what extent is the Keynesian theory of unemployment relevant to developing countries?

APPROACH QUESTIONSREQUIRING EXPLANATION OF ECONOMIC THEORIES.

Questions about theories should be answered in the following sequence, first by Stating the theory, Breaking down the theory and showing the cause, Stating the assumptions and the solutions and an Illustration the theory diagrammatically.

(a) Explain the Keynesian theory of unemployment.

(b) To what extent is the Keynesian theory of unemployment relevant to developing countries?

Statement of the Keynesian theory

The Keynesian theory of unemployment states that Unemployment arises due to deficiency in effective/ aggregate demand for goods and services especial in times of economic depression.

Cause of the Keynesian theory

Due to low demand for final products, firms reduce their out put, income levels fall, investment is discouraged and thus less capital and labour are employed.

Assumptions of the Keynesian theory

Deficiency in aggregate demand

Theory assumed a closed economy

The theory assumed full employment of resources

The theory assumed a commercial monetized sector

The theory assumed a big and strong private sector.

A solution to unemployment according to Keynes is by increasing aggregate demand and this could be by;

Subsidization of consumers income

Expansionary monetary policies

Reducing tax rates on incomes

Increasing government expenditure

Increasing exports through export promotion

Increase in wages

(b) To a greater extent the Keynesian theory of unemployment is irrelevant to developing countries, reasons being that;

It is mainly concerned with demand deficiency yet unemployment in LDCs is basically from the supply side.

Keynes based his theory on a close economy yet most economies of the world (LDCs inclusive) are open.

The theory mostly affects industrialized economies yet LDCs are mostly agro-based countries.

The theory emphasis investment multiplier as a contributor to employment yet in most LDCs it is the export multiplier.

The theory is applicable under conditions of full employment which conditions are not found in LDCs.

Firms in LDCs because of structural difficulties tend not to respond quickly and effectively to changes in demand.

As a solution to un employment, Keynes prescribes policies which can increase levels of aggregate demand but these policies may be inflationary in LDCs.

The product, factor and money markets in LDCs are not as functional as in MDCs and this makes policy implications of the Keynesian theory irrelevant.

The theory is based on assumption of highly monetized industrial economy yet LDCs economies are basically subsistence.

The Keynesian theory is based on the existence of a big and strong private sector yet in LDCs the private sector is weak and small.

The minor extent of relevance of the Keynesian theory of unemployment to developing countries include.

Measures to stablise export earnings through the IMF compensating arrangements to ensure stable export markets affect employment problem by reducing the rate of unemployment.

In LDCs there is an element of industrialization hence the theory may be applicable to the industrial sector.

At times unemployment in LDCs results due to fall in demand both domestic and abroad hence making the theory relevant in LDCs.

Use of expansionary monetary policies to increase the purchasing power in most LDCs have tended to increase employment levels and this is a policy put forward by Keynes thus applicability to LDCs.

In the long run as supply of cooperating factors for labour increase, the theory becomes relevant in LDCs.

Investment climate affects employment levels and therefore promotion of investment in LDCs will expand employment as stated by Keynes.

Examples of Similar Examinable Economics Questions

Explain the Malthusian theory of population.

To what extent is the Malthusian theory of population relevant to developing countries?

<u>**APPROACH OF QUESTIONS REQUIRING ECONOMIC IMPLICATIONS**</u>

Questions of this nature require students to both positive and negative implications/effects and If not students will only get marks for either the positive or negative impact BUT not positive or negative impact for both.

1. (a) Define the term 'optimum population'

Optimum population refers to the population size that provides the labour force which when combined with other factors of production / resources yields maximum out put per worker.

(b) Examine the economic implications of an increasing population in an economy.

Positive Economic implications of an increasing population in an economy include;

Increased demand hence increased market

Increased labour force where there is labour shortage and surplus of co-operant factors

Increased pressure on development efforts

Higher mobility of labour due to population pressure

Investment is stimulated due to increased consumer demand

Raises more revenue from taxes

It increases the level of innovativeness/ competition

Increased use of resources / economic growth

However an increasing population has the following negative implications in an economy

Dependence burdens increases

Investment is affected as expenditure as expenditure tends to be consumption geared

Excess demand for social services strains government budget and citizens in general

Balance of payment problems

Increase in income inequality

Unemployment is increased

Over exploitation of natural resources, land fragmentation/ political unrest

Low capital accumulation / savings

Leads to rural urban migration

Low income per capita and low standards of living

2. (a) Distinguish between trade creation and trade liberalization.

Trade creation is where economic integration results into a shift in production from high cost producers to low cost producers within the member countries.

Or a state where formation of an economic cooperation results into a country buying cheaply from a member country what it formly buys more expensively from non member countries.

WHERE AS

Trade liberalization is the removal of unnecessary controls on trade hence giving people the liberty to trade without undue government controls.

(b) Examine the implications of trade liberalization on the economies of developing countries.

Positive implications of trade liberalization on the economies of developing countries include,

Increased employment opportunities in the economy

Increased level of out put hence increased growth rates

Tends to control structural inflation in the economy

Encourages resource utilization in the economy

Encourages inventions and innovations

Competition forces firms to be efficient in order to remain in business

Improved quality of products

Increased tax revenue

Fights corruption in the long run

Improved BOP position when exports are encouraged

Reduces income and wealth inequalities in the economy.

Upholds consumer sovereignty

Variety of goods are produced

Encourages foreign investment.

However the negative implications of trade liberalization on the economies of developing countries include,

Makes an economy susceptible to instabilities especially price fluctuations

Competition among firms. Competition pushes out inefficient firms leading to unemployment and sometimes monopoly may result.

Income and wealth inequalities. With trade liberalization income and wealth inequalities may result if government fails to control them and this can lead to political conflicts.

Danger of resource misallocation.

Duplication leading into resource wastage

Danger of quick depletion of resources due to over exploitation.

Flooding of markets may sometimes force prices to go very low to uneconomic levels.

Distortion of consumer choices due to misleading adverts

Consumer exploitation due to ignorance

Encourages capital outflows

May expose population to harmful products

Sometimes it may result into monopoly and its associated evils.

Examples of Likely Examinable Questions

Examine the economic implications of an increasing population in an economy.

Explain the implications of the existence of absolute monopoly in a developing country.

<u>APPROACH OF ECONOMICS QUESTIONS REQUIEING ARGUMENTS FOR.</u>

Questions of 'arguments for' require an objective format of answer presentation, meaning a student is to use the advantages of what is being examined in an objective way. In this regard, students who simply give the advantages of what is being examined will not have answered the question. NB. Students are required to show the how part.

1. What are the arguments for price control in an economy?

The arguments for price control in an economy include the following;

To protect consumers from exploitation

To protect producers from exploitation by the middle men,

Examples of Likely Examinable Questions

What are the arguments/ reasons for price control in an economy?

What are the arguments for privatization of public enterprises in Uganda?

<u>APPROACH OF ECONOMICS QUESTIONS REQUIRING ECONOMIC ROLES</u>

A student should note some questions require only one side of the roles, for example the role of commercial banks in the development in the development process should be only positive. A student must note that roles/contributions can be positive or negative but this in most cases depends on the phrasing of the question.

1. (a) Explain the role that price mechanism plays in an economy.

Price mechanism plays both a positive and negative role in an economy.
Price mechanism is a system in a free enterprise economy where prices in the market are determined by forces of demand and supply

Price mechanism determines allocation of resources in the market i.e. what to produce, where to produce, and e.t.c .There is consumer sovereignty / consumer is the king in the market

Market forces of demand and supply determine the market price which influences the investor's and entrepreneur's decisions in resource allocation.

The positive role of price mechanism in an economy includes the following.

Ensures efficiency of firms. i.e. what to produce, this due to competition

Promotes / encourages innovations/inventions. Price mechanism encourages innovations which in the long run lead to the discovery of better and efficient techniques of production hence high quality products.

Distribution of income. High incomes to the hard working and less to the lazy

Ensures better quality products and this due to competition

Promotes consumer sovereignty / for whom to produce. This enables the consumer to buy from the cheapest source and maximizes utility.

Determines the type of technology to be used in the production process

Guides on what to produce.i.e. consumer or capital

Determines what to produce i.e. location of production units

Determines when to produce i.e. when demand is high

Provides a variety of goods

Provides automatic adjustment between supply and demand i.e. how much to produce

However the negative roles of price mechanism in an economy include the following;

Economic instabilities. Price fluctuations, exchange rate fluctuations, inflation

Unemployment. Price mechanism is characterized by unemployment arising from some firms being driven out of production due to cut throat competition among firms.

Scarcity / Disappearance of some vital commodities. Price mechanism is associated with competition which forces some firms out of the production process leading to scarcity of some vital commodities for example sugar in Uganda

Promotes income inequalities. Price mechanism misallocates resources leading to income inequalities with the minority having more incomes as compared to the majority few incomes.

Divergence between private and public interest. Price mechanism has divergent interests in that in most cases it tends to satisfy private interests at the expense of publics interests.

Does not allocate resources to the public utilities/ priority public areas

Exploitation of consumers due to ignorance. With price mechanism consumers who are not aware about the price ruling at the market at that particular time are exploited by paying high prices.

Emergence of monopolies on the market.

Distortion of consumer choices through advertising

Does not respond to rapid structural changes.

2. Assess the role of the informal Sector in your country.

The positive roles of informal sector to Uganda's economy include the following;

Creation of employment opportunities

Production of locally affordable goods

Reduction of capital (foreign exchange) outflows

Provision of cheap training ground for local labour

Development entrepreneurial skills/ self initiative

Facilitates utilization of idle resources

Increase in GDP

To some extent it contributes revenue to the government

Promotes technological development

Facilitates small scale industrial development

Enhanced fairer distribution of income

Promotes commercialization of the economy

However the negative roles of the informal sector to Uganda's economy include;

Congestion in sub urban areas

Pollution and effects on development

Encouraged duplication of services/wasteful competition

Causes public revenue instabilities

Hampered development

High administrative costs

Gives rise to under employment and disguised unemployment

Encourages production of poor quality goods and services

3.Explain the role of commercial banks in the development of an economy.

The roles of commercial banks in the development of an economy include the following;

Provision of employment opportunities

Source of government revenue

Encourage savings resulting into increased investment

Boosts economic growth by lending money to different sectors

Promotes international trade by giving advise to exporters and importers

Foreign commercial banks encourage capital inflow

Increase commercial/monetary economy

Offer training facilities

Encouraged development of infrastructure

Help government in implementation of monetary policy

APPROACH OF QUESTIONS REQUIRING EXPLANATION OF ECONOMIC IMPACT

1. (a) Distinguish between Direct taxes and indirect taxes.

Direct taxes are those taxes levied directly on incomes and property of individuals and enterprises such that the incidence of a tax rests on the tax payer concerned and can not be shifted to another person for example personal income tax, property tax, corporate tax.

WHERE AS

Indirect taxes are those that are levied on goods and services and a person who pays the tax can shift or pass it on to another person inform of high prices for example import duties, export duties, VAT.

(b) Assess the impact of direct taxes on an economy.

Positive impacts of Direct taxes on an economy include the following;

Acquiring public revenue

Equitable distribution of income

Controlling inflation

Regulating/controlling monopoly powers

Encourages economic growth/production

Promoting hard work/initiative

Influencing resource allocation for example corporate tax

However the negative impact of Direct taxes include the following;

Discouraging savings and investments

Leads to inflation for example cost push inflation

Reduces the welfare of the people due to reduced consumption

Discourages effort and initiative/hard work

Resource diversion from highly taxed activities to some times non productive ventures which are not taxed for example high corporate taxes

Creates resentment among the people that may erode popularity of government

Worsens/widen income inequalities for example regressive taxes

High costs of administration/ High government expenditure on collection

2. (a) Define the term 'investment'

Investment is the process of devoting part of a person's / nation's income to creation of capital stock or capital goods.

(b) Assess the impact of private foreign investment in your country.

Positive impacts of private foreign investment in Uganda include; (Tense Has, Is, Does)

Closing the savings – investment gap

Closes the foreign exchange gap

Source of government revenue

Promoting technological development and transfer

Creation of employment opportunities

Encourages inventions and innovations

Fills the manpower gaps

Leads to improved resource utilization

Accelerate industrial growth

Efficiency of firms is encouraged

Better quality products are produced

Wide variety of goods is produced leading to a widened choice

Encourages infrastructural development

Helps in skills development

However the positive impacts of private foreign investment in Uganda include

Capital flight

Balance of Payment problem

Worsens economic dependency problem

Worsens income inequalities

Erosion of cultural / moral values

Interference in political decisions

Local firms are subdued or out competed

Overexploitation of resources

Sectoral / regional imbalances in development

Unemployment problem due to use of capital intensive technology / rural urban migration.

It may lead to inflation

<u>Examples of Likely Examinable Questions</u>

Assess the impact of small scale industries in the development of your country.

Explain the impact of the private sector in the development of your country.

<u>APPROACH OF QUESTIONS REQUIRING ECONOMIC EFFECTS.</u>

Questions of this nature require students to give both positive and negative effects but it is not a must that all questions requiring effects call for both positive and negative effects. A positive effect can be in isolation of the negative effect.

1. a (i) Differentiate between a progressive tax and a progressive tax.

Progressive tax is that whose rates rise as the income or spending power increases

WHILE

Regressive tax is a tax whose rates fall as the income or spending power increases.

(ii) Mention any two effects of a progressive tax system in your country.

Any two effects of a progressive tax system in Uganda are;

Increased government revenue

Tends to discourage investors

Encourages equitable distribution of wealth and incomes

Disincentive to work / effort

Discourages savings in the economy

<u>APPROACH OF QUESTIONS REQUIRING ECONOMICDISCUSSIONS</u>

Students are warned against attempting such questions if they are not sure about how to approach the question.

Open discussion questions, A student should note that the sequence of answering this question is an open discussion and calls for point statement, point explanation and point illustration.

A student should note that the sequence of answering this question must be in the sequence of agree and disagree, both the positive and negative sides of the two aspects examined should be brought out clearly in the discussion

"**Developing countries should adopt agricultural rather than industrial strategy if they are to achieve economic development" Discuss.**

Astudent, who supports agricultural rather than industrial development strategy as a means to achieve economic development, should look at the merits of Agricultural and demerits of industrial development strategy;**Hence the Sequence of answering is Agree / Disagree,** Merits of Agricultural development-------demerits of industrial development, Merits of industrial development---------demerits of agricultural development

Merits of Agricultural development strategy include;

More employment opportunities as it is more of labour intensive

It's the main source of food

Agriculture is the main foreign exchange earner.

Reduces income inequalities in the long run

Relatively cheaper to under take compared to industrialization

Calls for rapid infrastructural development

As it develops surplus labour is released to other sectors

High potential source of revenue to the government

Leads to balanced regional development

Potential source of raw materials.

It has quicker returns compared to industrialization.

However the demerits of industrial development strategy are;

It is very expensive

Encourages external economic dependence

High social costs for example pollution, noise

Returns are not immediate

Low employment creation especially at the start

Causes regional imbalance in development

Leads to over exploitation of resources

Worsens the problem of income inequality

Encourages rural urban migration

However industrial development may be preferred to Agriculturaldevelopment strategy because of its merits over the demerits of Agricultural strategy.

The Merits of the industrial development strategy could be the following;

creates more employment opportunities in the long run

Wider sources of revenue

Promotes training of labour / skills development

High stable prices / skills development

Encourages technological development

Encourages infrastructural development

Reduces external dependence by reducing imports

Improves terms of trade

Provides market to other sectors due to its links

It improves on the BOP position.

However the demerits of Agricultural development strategy include;

Low tax revenue

Subject to diminishing returns

Leads to seasonal and disguised unemployment

Leads to instability in prices and incomes

Increases external dependence

May perpetuate poor terms of trade

May perpetuate poor BOP position

Examples of Similar Examinable Economics Questions

"Developing countries should adopt a balanced growth strategy if they are to achieve a faster rate of economic development". Discuss.

"Developing countries should adopt agricultural rather than industrial strategy if they are to achieve economic development" Discuss.

APPROACH OFECONOMICS QUESTIONS ABOUT YOUR COUNTRY.

Questions of this nature require students to avoid using developing countries, my country or even your country in their explanations.

1. (a) Examine the causes of inflation in your Country?

Students should make it clear to the examiner in the first paragraph by stating that the causes of inflation in Uganda include; This means that whatever the student is going to discuss is to be in line with Uganda so there is no need for the same student to keep repeating Uganda in his/her answer presentation paragraphs.

The causes if inflation in Uganda include the following;

Depreciation of the local currency/ shilling. In the course of the year the shilling lost its value. This made its demand very because a dollar could buy a lot of it leading to increased demand for goods and servives hence inflation.

Supply rigidities. Supply rigidities especially in the agricultural sector which result from occurrence of natural hazards like the current floods in eastern and northern uganda, delayed rains cause scarcity of goods resulting into increase in the general price level.

Importation of goods from inflation prone countries. When the imported products are raw materials, then the cost of production will increase leading to increase in prices of goods and services.

Increase in costs of production. Increasing costs of production especially the fuel prices, increasing taxes on goods and services forces producer to increase the prices of the goods and services.

Breakdown down of infrastructures. Breakdown of infrastructures especially commercial and feeder roads have limited effective movement of goods from production sources to market areas.

Excessive printing of money. Excessive increase in money supply leads to increase in the purchasing power of the people in the economy causing increase in high prices.

Greed for excess profits by producers. Producers especially monopolists aim at maximizing profits there fore they tend hoard some products like sugar in the current situation in order to sell it at high prices.

Speculation. Speculation encourages hoarding of basic consumable goods which results into shortages in the market leading to increase in demand hence causing inflation.

Increase in demand for exports. Increase in demand for demand for Uganda's exports in the neighboring country countries especially Sudan has led to shortages in the domestic markets leading to increase in demand hence high prices.

Limited amount of inputs like raw materials such as skilled labour and capital limit industrial development and this causes the prices of industrial products to increase.

(b) Policy measures being taken to control inflation in Uganda include these;

Adopting a restrictive monetary policy. The government is adopting a restrictive monetary policy through the central bank for example in August the central bank increased the central bank rate to reduce the rate at which commercial banks borrow.

Taxing incomes of the people. Government is taxing people's disposable incomes as a positive measure check the increasing purchasing power of individuals for goods and services.

Reducing government expenditure/retrenchment, to reduce excessive demand

Consolidation of allowances and wages from those in high income brackets like ministers

Investment incentives given to encourage investors like subsidies and tax holidays

Improvement in infrastructures like commercial roads, storage, power

Price controls by government both minimum and maximum price controls

Currency reform policies

Agricultural modernization to increase on food production

Encouraging import substitution strategy

Encourage trade liberalization. liberty to people to carry out trade and investment

Government controlling borrowing from the central bank

Privatization of public enterprises to improve on efficiency and management.

Control of excessive exports to other countries.

<u>**APPROACH OF QUESTIONS OF EXPLAINATION AND EXAMINAMINATION**</u>

1. (a)Explain the factors that determine the level of capital formation in your country.

Students should note that when presenting answers on questions about their country, the appropriate tense should always be used, in respect to this question, the appropriate tense (IS/HAS/DOES)

Explanations of the factors that determine the level of capital formation in Uganda include;

The level of income. Low level of income limits the amount of savings resulting into low capital formation, on the other hand high income levels increases savings resulting into high capital formation.

The level of savings. Low levels of savings result into low capital formation, on the other hand high levels savings result into high capital formation.

The techniques of production/ state of production. The high levels of productive techniques in the agricultural and industrial sectors has increased people's incomes leading to a high volume of savings and investment.

The level of infrastructural development. Well developed infrastructures like roads, power, banking facilities has encouraged more production especially in the agricultural and industrial sectors leading to high incomes and savings hence more capital formation

The existing stock of capital. The existing stock of capital in the country such as the banking and financial institutions is encouraging savings mobilization hence increasing the volume of savings leading to more capital formation.

Level of interest rate on loans and savings. Low interest rates on bank loans has encouraged people to seek more loans from the financial institutions which they are able to invest in machines, plants, equipment, transport facilities and other forms of real capital.

The price stability/ rate of inflation.

Investment climate/government policy on allocation of resources

The level of entrepreneurship abilities in the economy

Degree of accountability/ rate of corruption in the government

The level of capital inflows and out flows in the economy

The political and economic climate prevailing at the moment

Cultural factors/ degree of conservatism.

Examples of Likely Examinable Questions

Explain the factors affecting the development of the industrial sector in your country.

Explain the causes of under development in your country

Explain the factors which limit the effective implementation of monetary policy

(a) Examine the challenges facing the private sector in LDCs.

Challenges facing the private sector in LDCs include the following,

Inadequate capital for long term productive investment

Limited skilled manpower required in the productive sector

Small markets due to low purchasing power for the private sector goods and services

Unfavourable government policies for example high taxation

Stiff competition from the imported commodities and services

Ineffective enforcement of patent / copy rights

Bureautic delays.

Low / unsatable prices / inflation

Political instabilities / insecurity in some parts of the country.

Poor infrastructure

Limited entrepreneur skills.

(b) What measures should be taken to promote the private sector in LDCs.

Measures that should be taken to promote the private sector in LDCs include, (measure should be suggestive in nature)

Privatization of the public enterprises

Liberalization of the economy

Infrastructures. The government of Uganda should allocate more resources towards building sound economic infrastructures like roads, railways and industries.

Improving / maintenance of stable political climate

Putting in place favourable investment climate for example reducing taxes and increasing subsidization.

Technology and Research. The government should make sound improvements in technology research

Markets. The government should concentrate on commodity market expansion both at local and international levels in order to increase on production.

Corruption. Government should fight corruption through anti corruption legislations or laws.

Investment body. Government should form an investment body or authority purposely to cater for the investment needs of the private sector.

Stable economic climate. The government of Uganda should come with sound macro economic policies that can fight inflation and keep prices stable.

REVISION QUESTIONS REQUIRING POLICY MEASURES BEING TAKEN BY THE GOVERNMENT. Present continuous tense Questions.

The required appropriate phrase……….."is being done" instead of "has beendone"… should be done or Can be.

What policy measures are being taken to solve the problem of inflation in your country?

What policy measures are being taken to address unemployment in your country?

Examine the steps being taken to attract foreign investors in your country.

REVISION QUESTIONS REQUIRING MEASURES THAT SHOULD BE TAKEN BY GOVERNMENT.

Questions of this nature require answers which are suggestive in nature.The required appropriate phrase………."government should put in place, government should come up with, among others.

Explain the measures that should be taken to solve the inflation problem in your country?

Explain the measures that should be taken to solve unemployment problem in your country?

What measures should be taken to solve the problem of agricultural price fluctuations in your country?

QUESTIONS REQUIRING MEASURES THAT HAVE BEEN TAKEN BY GOVERNMENT

Questions of this nature require students to present their answers in the past tense language and such answers need not be suggestive in nature. The required appropriate phrase………"government has put in place, government has come up with among others

What policy measures have been taken to solve unemployment problem in your country?

What policy measures have been adopted by government to reduce inflation in your country?

QUESTIONS REQUIRING MEASURES THAT GOVERNMENT CAN UNDERTAKE.

What measures can government undertake to address the problem of unemployment in your country?

What policy measures can government undertake to address inflation in your country?

Suggest policy measures that government can under take to reduce income inequalities in your country.

WISHING YOU A DISTINCTION & EXCELLENT CAREER IN ECONOMICS

An investment in Knowledge pays the Best Interest