P220/1
ECONOMICS
PAPER ONE
3 HOURS

UACE ECONOMICS
PRE-MOCK 2025
TIME: 3 HOURS
PAPER ONE

INSTRUCTIONS TO CANDIDATES:

- Answer five questions only.
- Section A is **compulsory**. Answers to this section should be concise.
- Answer four questions in Section B.
- All questions in Section B carry equal marks.
- Any additional question(s) attempted will not be marked.

SECTION A: (20 Marks)

Answer all parts of this section.

1 (a) (i) Define the term *multiplier*. (01mark)

(ii) Given that a country's level of GDP is shs 600m, MPC = 0.75 and Change in Investment Expenditure is shs 200 million. Calculate the final level of income in an economy. (03marks)

(b) (i) What is meant by *monetary policy*? (01mark)

(ii) State any three tools of monetary policy. (03marks)

(c) (i) Distinguish between a *proportional tax* and a *progressive tax*. (02marks)

(ii) Give two advantages of a progressive tax. (02marks)

(d) Explain the meaning of the following terms:

(i) *Marginal Utility of Income* (02marks)

(ii) *Marginal Rate of Substitution* (02marks)

(e) (i) State the law of *diminishing returns*. (02marks)

(ii) Give any three assumptions of the law of diminishing returns. (03marks)

SECTION B (80 Marks)

Attempt only four questions

2(a) Explain how a firm in monopolistic competitive market determines profits In the short run. **(10 marks)**

(b) Examine the merits and demerits of monopolistic competition. **(10 marks)**

3(a) Define the term **retail price index**. **(02 marks)**

(b) Describe how the **cost of living index** is computed in an economy. **(08 marks)**

(c) Explain the difficulties encountered in computing retail price indices in a developing economy. **(10 marks)**

4(a) Explain the **Keynesian Theory of Unemployment**. **(10 marks)**

(b) What are the limitations of the Keynesian theory of unemployment to developing countries? **(10 marks)**

5(a) Why is there poor performance of the **private sector** in developing countries? **(10 marks)**

(b) Suggest measures that should be taken to promote the private sector in developing countries. **(10 marks)**

6(a) Explain the role of **foreign aid** in the development of an economy. **(10 marks)**

(b) Explain the problems of over-relying on foreign aid in an economy. **(10 marks)**

7(a) Describe the characteristics of a **good tax system**. **(10 marks)**

(b) Explain the role of taxation in the development of an economy. **(10 marks)**

END

Success goes to a prepared mind@2025

@Eddy Cosh#