**P220/2**

**ECONOMICS**

**Paper 2**

**Jul/Aug 2016**

**3 Hours**



**MUKONO EXAMINATIONS COUNCIL**

**Uganda Advanced Certificate of Education**

**ECONOMICS**

Paper 2

**3 Hours**

**INSTRUCTIONS TO CANDIDATES**

* *Answer* ***five*** *questions only*
* *Section* ***A*** *is compulsory. Answers to this section should be precise.*
* *Answer* ***four*** *questions from section* ***B.***
* *All questions in section* ***B*** *carry equal marks.*
* *Credit will be given for use of relevant diagrams.*
* *Any additional question(s) answered will be marked.*

**SECTION A (20MARKS)**

1. a) (i) What is meant by consumer surplus? ***(01mark)***

 (ii) Study the table below and answer the question that follows.

|  |  |
| --- | --- |
| Price in shs | Quantity |
| 650 | 1 |
| 600 | 2 |
| 550 | 3 |
| 500 | 4 |
| 450 | 5 |
| 400 | 6 |

 Calculate the consumer surplus when the market price is shs 500 and 4units are

 bought.

 b) (i) Distinguish between vertical merging and conglomerate merging of firms.

***(02marks)***

 (ii) State two reasons for merging of firms. ***(02marks)***

 c) (i) Distinguish between time rate and piece rate methods of wage payment.

***(02marks)***

 (ii) Mention two demerits of using time rate method in your country. ***(02marks)***

 d) Give four features of the export sector in your country. ***(04marks)***

e) (i) Differentiate between a funded debt and unfunded. ***(02marks)***

 (ii) Mention two objectives for incurring public debts in your country. ***(02marks)***

**SECTION B (80MARKS)**

2. a) Distinguish between joint supply and competitive supply. ***(04marks)***

 b) Account for low price elasticity of supply in your country. ***(16marks)***

3. a) Explain the benefits of expanding the industrial sector in your country. ***(10marks)***

 b) Discuss the measures that have been taken to promote the industrial sector in your

 country. ***(10marks)***

4. a) What factors are responsible for unfavourable Terms of Trade (T.O.T) in your

 country? ***(10marks)***

 b) Suggest the measures that should be taken to improve Terms of Trade in your

 country. ***(10marks)***

5. a) What factors are put forward by trade unions to demand for a pay rise in your

 country? ***(06marks)***

 b) Explain the factors that affect the success of Trade Unions in your country. ***(14marks)***

6. a) Differentiate between a deficit budget and surplus budget. ***(04marks)***

 b) Account for the persistent budgetary deficits in your country. ***(16marks)***

7. a) Explain the Keynesian theory of unemployment. ***(04marks)***

 b) To what extent is the Keynesian theory of unemployment relevant to your country?

 ***(16marks)***

***End -***