

UNEB UACE ECONOMICS PAPER 1 2017

SECTION A

Answer all parts of this question

1. a) i) What are public goods?
ii) Outline any three challenges faced by your country when providing public goods.
- b) i) State the law of diminishing returns
ii) Give any three assumptions of the law of diminishing returns.
- c) i) State the Big-push theory of economic growth.
ii) Mention any three benefits of adopting the Big-push theory in developing countries.
- d) i) Define the term credit multiplier.
ii) Given an initial deposit of Shs750,000 and a cash ratio of 20% calculate the total credit created.
- e) i) What is meant by the term trade diversion?
ii) Give any three effects of trade diversion in an economy.

SECTION B

Answer any four questions from this section.

2. a) Why may a government impose price controls in an economy?
b) Examine the implications of price controls in an economy.
3. a) Given that in a two sector economy;
Marginal propensity to consume = 0.75,
Investment = US\$ 5 billion,
Income = US\$ 250billion.
i) Calculate the value of the multiplier.
ii) If the investment increases by US \$ 1 billion, determine the new equilibrium level of National income.
b) Assess the factors that determine the level of National income in an economy.
4. a) Why is there need for industrialization in less developed countries?
b) Explain the problems faced by the industrial sector in less developed countries.
5. a) Distinguish between over-population and optimum population.
b) Assess the implications of over-population in an economy.
6. a) Explain the causes of open-urban unemployment in an economy.
b) Suggest measures that can be adopted to reduce open-urban unemployment in an economy.
7. a) What is the role of the National budget in an economy?
b) Suggest measures that should be taken to control budgetary deficits in developing countries.

END