

DEMAND THEORY

Sample questions

P220/2 2017. Explain the factors that limit effective demand of goods and services in Uganda.

Explain the determinants of demand.

Explain the factors that cause a change in demand of a commodity.

I EAT 4PIGS

LETTER	INFLUENCE/ DETERMINE/ AFFECT	HIGH DEMAND	LOW DEMAND	CHANGE IN DEMAND	INCREASE IN DEMAND	DECREASE IN DEMAND
I	Income of a consumer	High level of consumer's Income	Low level of consumer's income	Change in consumer's Income	Increase in consumer's Income	Decrease in consumer's income
E	Expectations of future price changes					
A	Advertisement (Level of)					
	Availability of credit facilities					
T	Tastes and preferences					
4P	Price of complements					
	Price of substitutes					
	Population size (market size)					
	Price of the commodity					
I	Income distribution					
G	Government policy of taxation and subsidisation					
S	Seasonal factors					

SUPPLY THEORY

Sample questions.

P220/1 2006: Explain the factors that influence quantity of a commodity supplied in an economy

P220/1 2012: Explain the conditions that may lead to a decrease in supply of a commodity

P220/1 2009: Explain the factors that lead to increase in supply of a commodity.

Use: **WGN PEM CAPTAIN**

LETTER	INFLUENCE/ DETERMINE/ AFFECT SUPPLY	HIGH SUPPLY	LOW SUPPLY	CHANGE IN SUPPLY	INCREASE IN SUPPLY	DECREASE IN SUPPLY
W	Working conditions	Favourable working conditions	Unfavourable working conditions	Change in working conditions	Improvement in working conditions	Decline in working conditions
G	Government policy of taxation and subsidisation					
N	Natural factors					
P	Price of the commodity					
E	Expectation of future price changes					
M	Market size					
C	Cost of production					
A	Aim/ goal of the producer					
P	Political climate					
T						
A	Availability of raw materials					
I	Infrastructural development (Level of)					
N	Number of producers					

DETERMINANTS OF LABOUR SUPPLY.

Labour supply is.....

Sample question.

P220/1 2013: Explain the factors that affect supply of labour.

Use: **WHATSAPP**

LETTER	Point	How?
W	Working conditions	Motivate workers
H	Health conditions of the worker	Make workers more comfortable
A	Attitude towards work	Promotes efficiency and increase the desire to work for more hours
T	Training period (length of)	Checks on number of workers available for current jobs
S	Sex composition of the population	Female limit labour supply due to many commitments and less energetic
A	Age composition of the population	Young below working age group limit labour supply due to low skills and qualification
P	Population size	Creates more labour to engage in productive activities
P	Political climate	Creates confidence among workers

MARKET STRUCTURE

Use : **FATDON** = features

MARKET STRUCTURE	Perfect competition	Monopoly	Monopolistic competition	Oligopoly
Freedom of entry and exit	Free entry and exit	Blocked entry	Freedom of entry and exit	Restricted entry
Advertisement (Level of)	No persuasive Advertisement	No persuasive Advertisement	Widespread persuasive Advertisement	Widespread persuasive Advertisement
Type of goods	Homogeneous	No close substitutes	Differentiated	Homogeneous (perfect Oligopoly) or differentiated (imperfect Oligopoly)
Nature of demand curve	Perfectly elastic	Inelastic	Elastic	Kinked
Objective of the firm	Aim at profit maximisation	→	→	→
Number of producers and buyers	Many sellers and many buyers	One/single seller with many buyers	Many sellers and many buyers	Few firms facing many buyers

NON PRICE COMPETITION.

Sample questions. How do Oligopoly firms increase sales in Uganda?

Use: **FACO GOT SOAP**

LETTER	METHOD	How
F	Free samples	Entice customers to buy more
A	After sales services (provision of)	Gives confidence to customers to continue buying more products
C	Credit facilities (provision of)	Increase contact (personal) with customers
O	Opening up new branches	Increase the sale of goods in various parts of the country/ increase awareness
G	Giving gifts to customers	Entice customers to buy more
O	Organising consumer games	Widen platform for sale of products
T	Trade fairs and exhibitions (organising)	Increase awareness
S	Sponsoring sports events	Increase awareness
O	One stop shopping centre (use of)	Provide platform for the sale of a variety
A	Appealing slogans and brand names	Entice customers to buy more
P	Persuasive Advertisement (use of)	increase awareness

CAUSES OF UNEMPLOYMENT

Sample questions

P220/2 2019: Why is it difficult to attain full employment?

P220/1 2016: What are the causes of youth unemployment in LDCs?

Use: **MR DPC LEFT, RIP**

LETTER	POINT	EXPLANATION
M	Mental and physical disabilities	Can't be hired for employment because of their visual and mental problems
R	Rural urban migration	Makes Labour supply exceed available jobs in urban areas.

D	Discrimination in the Labour market	The discriminated remain unemployed since they're denied jobs.
P	Political instability	Discourages investment because investors fear to lose their lives and property- Limits job creation
C	(Unfavourable) climatic changes	Farmers remain unemployed during the dry seasons
L	Limited capital	Limits investment/ expansion of enterprises- Limits job creation
E	(Poor) education system	Produces more job seekers than creators
F	Fall aggregate demand for goods and services (small market size)	Firms reduce output, income levels fall, investment discouraged & less labour employed.
T	Technological progress/ advancement	Machines replace human labour
R	Retrenchment	Where government/ civil servants are cut off from their jobs for government to lower its expenditure
I	Ignorance about existing jobs	Limits people's awareness about existing job opportunities
P	Poor land tenure system	Limits accessibility to land hence discourages investment.

DEMERITS OF UNEMPLOYMENT

Sample questions.

P220/1 2016: Assess the impact of unemployment in an economy.

P220/1 2011: Explain the effects of unemployment in an economy.

P220/2 2010: What are the effects of unemployment in Uganda?

Use: **BIC FED GRAPE**

LETTER	POINT	EXPLANATION
B	Brain drain	Highly skilled labor move to outside countries in search for jobs
I	Investment in education discouraged	Due to low skills gained from theoretical education that limit setting up jobs
C	Crime rate (results into high)	Due to existence of limited economic activities to make them busy/ due to the need to access basic needs through other means
F	Family instabilities/ breakdown	Due to failure to provide basic needs by heads caused by less earning
E	Expenditure of government increases	Due to the need to provide social services to the unemployed
D	Dependence burden (increased)	Due to high expenditure incurred to provide needs to the unemployed by the employed
G	Government revenue (low)	Due low income earned since many are unemployed
R	Rural urban migration & its evils	Due to the movement of the unemployed to urban areas in search for jobs which they don't find resorting to such
A	Aggregate demand (low)	Due to low income earned by the few employed
P	Political tension increases	Due to the frustration by the unemployed who end up blaming the govt for the cause of the

		suffering
E	Economic growth (low)	Due low savings that limit establishment of productive activities

SOLUTIONS TO UNEMPLOYMENT

Sample question

P220/2 2014: Suggest measures that should be taken by government to reduce unemployment in Uganda.

Use: **I WAS PAID L²ATE.**

LETTER	POINT	EXPLANATION
I	Investment incentives	Reduce the cost of production which encourage establishment of employment opportunities
W	Widen market	Increases sales and profits which are used to expand employment opportunities
A	Agricultural modernisation	Increase efficiency in agricultural production which ensures operation of agricultural activities throughout the year
S	Support disadvantaged groups	This encourages their establishment of self-employment due to reduced cost of production
P	Political stability (maintain)	Promotes confidence in investors due to safety of their life and property who establish more economic activities
A	Affordable capital/ credit to investors	Enables them to purchase factor inputs to establish productive activities
I	Infrastructural development	Reduce the cost of production which encourage establishment of employment opportunities
D	Diversify the economy	Encourage investment in various economic activities
L	Liberalise the economy	Creates freedom to invest in various economic activities
L	Land reforms	Increase accessibility to land by potential investors
A	Advertise jobs	Increase awareness to job seekers
T	Appropriate technology (adopt)	Encourage establishment of productive activities that demand for more human labor than machines
E	Education reforms (adopt)	Equip workers with practical skills that are relevant in the job market

METHODS OF DETERMINING PRICES.

Sample questions.

P220/2 2007: Explain the methods of determining prices in Uganda.

How are prices determined in Uganda?

Use: **BRAC MOPS**

LETTER	POINT	EXPLANATION
B	Bargaining	Buyers and sellers negotiate and set the price
R	Resale price maintenance	Producers set a price to be maintained by retailers
A	Auctioning/ bidding	Seller asks for bidders and the price of the highest bidder becomes the price at which the

		commodity is sold
C	Collusion	Firms in oligopoly agree and set a common price
M	Market forces of demand and supply	Buyers and sellers exchange a commodity at and equilibrium price
O	Offers at fixed prices by individuals	Sellers fix the price at which their commodity is sold
P	Price leadership	A leading firm in the industry sets the price which must be charged by the other firms in exchange of the commodity
S	Signing treaties/ agreements	Buyers and sellers agree and set a price at which the commodity is exchanged lawfully

CAUSES OF INFLATION

Sample question

P220/2 2019: Account for the persistent inflation in Uganda.

Use: **SPRING BE⁶D**

LETTER	POINT	HOW
S	Speculation by traders	Such traders hoard goods for future sale leading to shortage on the market increasing aggregate demand causing increase in prices
P	Political instability	Limit production due to fear by investors to risk their lives and property causing shortage increasing aggregate demand leading to increase in prices
R	Rising costs of production	Cause increase in prices of commodities due to the need by traders to recover their costs incurred
I	Importation of goods from countries experiencing inflation	Increases the cost of their importation leading to increase in prices of commodities to enable importers recover their costs
N	Natural hazards/ disasters	Limit supply of commodities causing increase in aggregate demand over supply leading to increase in prices of commodities
G	Greed for excessive profits by traders	Such traders hoard goods for future sale leading to shortage on the market

		increasing aggregate demand causing increase in prices
B	Breakdown of infrastructure	Limit supply of commodities to market due to increase in c.o.p causing increase in aggregate demand over supply leading to increase in prices of commodities
E⁶	Excessive government expenditure	This increases the amount of money in circulation, increasing people`s purchasing power which increase aggregate demand over aggregate supply increasing price of the commodities
	Excessive issuing of currency by the central bank	increases the amount of money in circulation, increasing people`s purchasing power which increase aggregate demand over aggregate supply increasing price of the commodities
	Excessive lending by the commercial banks	increases the amount of money in circulation, increasing people`s purchasing power which increase aggregate demand over aggregate supply increasing price of the commodities
	Excessive inflow of income from abroad	increases the amount of money in circulation, increasing people`s purchasing power which increase aggregate demand over aggregate supply increasing price of the commodities
	Excessive exportation of essential goods	Results into their scarcity in the country leading into increase in aggregate demand of such commodities over aggregate supply leading to

		increase in prices of commodities
	Excessive government borrowing from the central bank	increases the amount of money in circulation, increasing people's purchasing power which increase aggregate demand over aggregate supply increasing price of the commodities
D	Depreciation of local currency.	increases the amount of money in circulation, increasing people's purchasing power which increase aggregate demand over aggregate supply increasing price of the commodities

EFFECTS OF INFLATION

Sample question

P220/2 2018: Explain the effects of inflation in Uganda.

Positive impacts (mild inflation)

Use: **MI GOD BE⁴ FILM**

LETTER	Point	How
M	Monetises the economy	Profits motivate producers to increase output for sale
I	Industrialisation promoted	Increased profits are used to expand production
G	Government revenue	Taxation of the excess profits by traders
O	Output increases	Due to desire by traders to maximise profits
D	Helps the economy to recover from depression	Slight increase in cost of living encourage people to invest in production thus increasing output
B	Borrowers gain in real terms	They pay back money when its purchasing power is low
E	Employment opportunities created	People work hard to establish economic activities in order to overcome hard times
E	Entrepreneurship promoted	Producers increase creativity to produce more output to earn more profits
E	Exploitation of resources is promoted	This is due to the need to earn more profits to meet the rising costs of living
E	Encourages effort and hard work	This is due to the need to earn more income to meet the rising cost of living
F	Forced savings encouraged	In order to prepare for future spending due to

		unstable prices
I	Investment encouraged	Due to the need by producers to earn more profits as a result of increase in cost of living
L	Labour supply increases	Due to movement of workers to new areas to carry out production to meet the rising costs of living
M	Mobility of labour is encouraged	Due to desire by people to meet the rising C.O.L

Negative impacts (Hyper inflation)

Use: **PULLEY IS BIG @ KFC**

LETTER	Point	How?
P	Planning is made difficult	Due to unstable prices of commodities causing unstable expenditure on goods and services
U	Unemployment	Due to increased cost of production that limit investment hence reducing demand for labour
L	Lenders stand to loose	They earn their money with low purchasing power as a result of increase in prices
L	Loss of confidence in local currency	This is due to reduced purchasing power as a result of price increase
E	Encourages illegal activities	Due to the need to access products that are less affordable as a result of increased prices
Y	Income inequality	Since the poor access goods at higher prices reducing their income which increase profits of rich producers
I	Industrial unrest/ strikes	As workers continuously demand for wage increase to meet the rising cost of living
S	Saving is discouraged	This due to huge expenditure as a result of increasing prices of commodities
B	Brain drain	Due to the need to get employments outside the country as a result of increased cost of living in the country
I	Investment (discourages)	Due to increased cost of production which limit establishment of productive activities
G	Government becomes unpopular	As people blame the government for their suffering due to increasing cost of living
K	Capital outflow	As investors engage in productive activities in other countries where the cost of production is cheaper
F	Fixed income earners suffer greatly	This is due to a fall in their money`s purchasing power
C	Collapse of some firms	Due to increased cost of production that make it hard to access raw materials and pay workers

FUNCTIONS OF COMMERCIAL BANKS

Sample question

P220/2 2012. Explain the functions of banking financial institutions.

NB. BFI'S are.....

Use: **4A PIPE**

LETTER	Point	How
A	Advancing loans	Through giving loans to borrowers at low interest rates
A	Accepting deposits	Through operating customer `s accounts where they keep their deposits
A	Acting as custodians of their customers' valuables	Through keeping customers wills and other valuable documents at a fixed cost
A	Acting as executors and trustees of property and wills of their customers	Through safeguarding property of their customers and wills.
P	Providing easy means of payment	Through issuing of cheques and bank drafts to ease payment
I	Issuing letters of credit to business men/ traders	Through guarantying payment to their customers to engage in economic activities
P	Providing advice to investors	To invest in economic activities that are highly profitable to easily repay the loan
E	Exchanging currencies of different countries.	Providing foreign exchange to people at a given exchange rate

FUNCTIONS OF CENTRAL BANK

A central bank is.....

Sample question.

P220/1 2010

Use: **3BI MALE**

LETTER	Point	How
B	Banker to government	Keeping government money used in various sectors
B	Banker to all commercial banks	Keeping percentage of commercial banks deposits as special deposits

B	Banker to all agencies operating within the country	Keeping money for all organisations engaging in economic activities in the country
I	Issuing the country's currency	Printing new currency and supplying it to the commercial banks
M	Monetary policy (formulates)	Establishing tools to control the amount of money in circulation
A	Advisor to government	To regulate expenditures in certain sectors
L	Lender of last resort to commercial banks	Providing loans to commercial banks in periods of scarcity
E	External debt of the country (manages)	Through receiving country's debt from international organisations and foreign countries

TOOLS OF MONETARY POLICY

Monetary policy is.....

Sample question.

P220/2 2015. Explain the methods used by the central bank to regulate money supply in Uganda.

Use: **MR BCM LOSS**

LETTER	Point	Brief explanation central bank.....
M	Moral suasion	appeals to commercial banks to control lending in certain sectors
R	Rationing of credit	Orders commercial banks to lend to few sectors/more sectors in specific intervals
B	Bank rate	Increase or decrease bank rate to regulate the amount of money in circulation
C	Cash ratio	Increase or decrease cash ratio to regulate the amount of loanable funds by commercial banks
M	Margin requirement	Increase or decrease margin requirement to control accessibility to loans by potential borrowers
L	Legal reserve requirement	Increase or decrease legal reserve requirement to regulate amount of loanable funds by commercial banks
O	Open market operation	Increase or decrease sale of

		securities to regulate the amount of money in people's hands
S	Selective credit control	Orders commercial banks to lend to selected sectors
S	Special deposit	Increase or decrease amount of special deposit to regulate amount of loanable funds by commercial banks

DETERMINANTS OF LIQUIDITY PREFERENCE/ MONEY SUPPLY

Liquidity preference is

Sample question

P220/2006. Explain the factors which determine liquidity preference

Use: **DIRTY KIDS**

LETTER	Point	Explanation
D	Degree of uncertainty	Expectation to use money in near future
I	Interest rate on financial assets	Profits acquired from purchase of financial assets
R	Requirement for opening and operating bank accounts	Cost of keeping money in the bank
T	Transaction (Level of)	Need to use money currently
Y	Income level	Ability to purchase goods and services cheaply
K	Knowledge about banking facilities	Awareness of the value of banking services
I	Inflation (rate of)	Cost of accessing goods and services
D	Development level of commercial banks and other financial institutions	Easy accessibility of financial institutions
S	Speculation (Level of)	Expectation to use money to acquire profits

THE STRUCTURE OF UGANDA'S ECONOMY

Qualifiers are a must eg mainly, mostly, dominated, basically etc

No.	Features/ Traits / characteristics	Agricultural sector	Industrial sector	Private sector	Informal sector
1	Location	Rural based	Urban based		Semi and sub-urban based
2	Type of labour employed	Semi-skilled & unskilled labour	Semi-skilled & unskilled labour		Semi - skilled labour
3	Quality of output produced	Poor quality output	Poor quality output		Poor quality output
4	Type of goods	Produce food	Consumer	Consumer	Consumer goods

	produced	stuffs	goods	goods	
5	Market served	Local market (domestic)	Local market (domestic)	Local market (domestic)	Local market (domestic)
6	Technology used	Labour intensive techniques	Labour intensive techniques	Labour intensive techniques	Labour intensive techniques
7	Scale of operation	Small scale	Small scale	Small scale	Small scale

Features of formal sector include

PRICE INDICES

Sample question

P220/2 2017. Describe the procedure of compiling the cost of living index.

Use: **BBC PAAWA**

LETTER	Procedure	Formula
B	Selecting a representative B asket of goods	
B	Choosing a suitable B ase year	
C	C ollecting prices of goods in the basket in both the base year and current year	
P	Calculate P rice relative for each commodity (SPI)	SPI=
A	Calculate the A verage simple price index (SPI) for the entire basket	ASPI=
A	A ttach weights to each commodity in the basket	
W	Calculate the W eighted price index for each commodity	WPI= SPI×W
A	Calculate the A verage weighted price index for the entire basket	AWPI=

CAUSES OF INCOME INEQUALITY/ WAGE DIFFERENTIAL

NB. Begin the point with "Difference in....." apart from Discrimination in the Labour market

- Give two sided explanation with a reason.
- In explanation of income inequalities use high income and low income .
- In explanation of wage differences use high wages and low wages.

Use: **JB HATED TEO**

LETTER	Point	Explanation
J	Job (Nature of)	Compensated for risking their lives
B	Bargaining power of individuals	Able to convince the employers
H	Hours worked (Number of)	Earn more due to extra time spent at work place
A	Ability and willingness of the employer to pay workers	Able to afford paying high wages
T	Talents and natural gifts	Special skills/efficient
E	Education and training (Level of)	Much contribution to employer's revenue/ efficient
D	Discrimination in the Labour market	Female and young considered less responsible
T	Trade unions (Strength of)	Strong unions are recognised and able to

		bargain for high wages
E	Experience (Level of)	Efficient
O	Output produced (Amount of)	Due to increased profits earned from more output

NB: Determinants of wages.

Use: **JB HATED TEO**

GENERAL ADVANTAGES.

Apply to.

- Benefits of Industrialisation
- Foreign direct investment
- Big push theory
- Privatisation of public enterprises
- Economic diversification
- Private sector
- Export promotion
- Economic growth
- Multi- national corporations
- Balanced growth theory
- Trade liberalisation
- Import substitution
- National income
- Informal sector

Use: **WE SET BIRUQ**

LETTER	Point	How	Impact on development
W	Widens consumer choice	Production of a variety of commodities	Improves S.O.L
E	Employment opportunities	Hiring of labour/workers e.g managers	Employed people earn income/ S.O.L improves
S	Skills of labour improve	Through training of labour	Promotes efficiency hence high quality produced
E	Economic growth	Through production of more goods and services	National income increases
T	Technological transfer	Importation of new and modern technology	Improved quality output
B	B.O.P position improves	Through production for export	Foreign exchange earned
I	Infrastructural development	Construction of roads to ease production costs	Promotes transportation of finished goods to markets
R	Revenue to government	Imposing taxes on people's income	Finance government programs
U	Utilisation of resources	Putting to use the local resources	Reduces excess capacity
Q	Quality of output (improves)	Importation of new and modern technology	S.O.L improves

GENERAL PROBLEMS/CONSTRAINTS/LIMITATIONS/BOTTLENECKS/IMPEDIMENTS

Apply to

- Private sector
- Import substitution strategy
- Big push theory
- Informal sector
- Economic diversification
- Underdevelopment (causes)
- Foreign direct investment
- Industrial sector
- Economic growth
- Agriculture
- Unbalanced growth
- Underutilisation of resources
- Export promotion strategy
- Balanced growth theory
- National income
- Multi- national corporations
- Economic development
- Capital formation

Sample questions

P220/2. 2018. What are the problems faced by MNCs in Uganda?

P220/1 2009. Explain the challenges faced by the private sector in LDCs.

P220/2 2005. What are the problems faced by the industrial sector in Uganda?

Use: **GREAT PSALM KIPIL**

LETTER	Point	Hint about the explanation
G	Unfavourable G overnment policy on investment	Increases c.o.p - low profits
R	Limited supply of R aw materials	Limits large scale production
E	Limited E ntrepreneur skills	Limits ability to undertake risk and organise other f.o.p
A	Low level of A ccountability	Funds embezzled - Limits expansion
T	Poor T echnology	Inefficiency in production - Poor quality output
P	High population growth rates	Increase dependence burden reducing savings
S	Limited saving	Limits funds needed to purchase factor inputs
A	Low labour attitude	Limits efficiency in production which limits expansion
L	Limited L abour skills	Inefficiency - production of poor quality output
M	Small M arket size	Limits large scale production for fear of incurring losses
K	Limited capital (K)	Limits purchase of raw materials and hiring of labour
I	High rates of I nflation	Increases C.O.P - low profits
P	P olitical instabilities	Loss of confidence - fear of loss of lives and property by potential investors
I	Poor I nfrastructures	Limits transportation of finished goods to market - increases c.o.p
L	Poor L and tenure system	Limits accessibility to land

GENERAL SOLUTIONS/ MEASURES

Apply to

- Private sector
- Foreign direct investment
- Economic development
- Import substitution strategy
- Export promotion strategy
- Investment
- Capital formation/ accumulation
- National income/ Economic growth
- Informal sector
- Industrial sector
- Agricultural sector
- Agricultural modernisation

Use: **DIP²LOM²A²TIC GIRLS²**

LETTER	Point	How
D	Development of infrastructure (Level of)	Reduce the cost of production
I	Inflation (Rate of)	Reduce the cost of production
P	Political climate	Promotes confidence to investors due to safety of their lives and property
P	Population growth rate	Reduce dependence burden which increase funds for investment
L	Land tenure system	Increase accessibility to land to establish productive activities
O	Outflow and inflow of capital	Increases funds to invest in productive activities
M	Monetisation of the economy	Increase output due to the need to acquire profits
M	Market size	Increase sales and profits used to expand productive activities
A	Attitude towards work	Increases efficiency which increase profits earned used to expand production
A	Accountability (Level of)	Increase funds and reduce production

		costs
T	Technology (Level of)	Increase efficiency-profits
I	Interest rate on loans (capital)	Increase funds –increase purchase of factor inputs
C	Capital stock	Increase funds –increase purchase of factor inputs
G	Government policy on investment	Reduce costs of production
I	Income (Level of)	Increase savings
R	Resource Utilisation	Increase supply of raw materials
L	Labour skills	Increase efficiency
S	Savings (Level of)	Increase funds for purchasing raw materials
S	Skills of entrepreneur	Increase mobilization of other factors of production

PRINCIPLES OF TAXATION & CORRESPONDING FEATURES

Sample question.

P220/2 2008. Explain the principles of taxation

Use. **4C PIECES**

NB: For principles begin with principle of.....and for features use; It should be.....

LETTER	Principle	Meaning
C	Certainty	Should be clearly known by all the tax payers
C	Comprehensiveness	Should cover all productive sectors of the economy
C	Convenience	Should be levied when tax payers have money
C	Cheapness/ economy	The cost of collection must be less than the tax collected
P	Productivity	Should ensure that tax payer remain with enough income to encourage production
I	Impartiality/ neutrality	Should not discriminate among tax payers
E	Equity/ equality/ fairness	Should be uniform to tax payers with the same resources
C	Consistence	The rate should be constant to all tax payers in a given period of collection
E	Elasticity/ flexibility	Should be easily adjusted depending on existing economic conditions
S	Simplicity	Should be easily understood by all stake holders

REASONS FOR IMPOSING TAXES/ OBJECTIVES OF FISCAL POLICY/ BUDGET/ PUBLIC FINANCE

Sample question.

P220/1 2011: Explain the objectives of fiscal policy.

Use: **I HIDE MY RIB**

LETTER	Point	How?
I	Infant industries from foreign competition (protect)	Through restricting foreign trade
H	Harmful products (control consumption of)	Increasing taxes on such goods
I	Inflation (control)	Adopt import substitution to reduce imported/ direct taxes to reduce aggregate demand
D	Dumping (control)	Increasing taxes on such goods to

		discourage their consumption
E	Economic growth (promote)	Subsidise local firms(reduced taxes)
M	Monopoly powers (control)	Through providing investment incentives to new firms to provide competition
Y	Income inequalities (reduce)	Through progressive taxation
R	Raise government revenue	Through increasing taxes on productive activities/ through borrowing from within and out(does not apply on taxation)
I	Investment (influence/promote)	Revenue raised from taxes is used to subsidize local firms
B	B.O.P position (improve the)	Import tariffs reduce importation and encourage local production

NB: Positive impacts/ roles/ effects/ consequences/ implications of taxation

Use: **I HIDE MY RIB**

Benefits/ roles/ significance of budget

Use: **I HIDE MY RIB**

NEGATIVE EFFECTS/ IMPACTS/ CONSEQUENCES OF TAXATION

Sample question.

P220/2. 2014: Discuss the demerits of Imposing taxes in Uganda

Use: **MIRRY IS WET**

LETTER	Point	How
M	Misallocation of resources	High taxes discourage investment in less profitable activities
I	Inflation- indirect taxes	Increase aggregate prices of the commodities
R	Resentment of government- hatred	Due to high costs of living
R	Reduces volume of Trade/ Retaliation in trade	Due to discouragement of importation
Y	Income inequality - regressive taxes	Reduce the incomes of the poor
I	Investment discouraged	Due to reduced profits
S	Savings discouraged	Due to reduced profits/ reduced disposable income
W	Welfare reduces	Due to increased expenditure on accessing goods and services
E	Efforts and hardwork discouraged -progressive	Due to less initiative to work hard in order to pay less tax
T	Trade malpractices encouraged	Due to failure to acquire goods at increased prices

FEATURES OF A GOOD PLAN

Sample question

P220/1 2019: Describe the features of a good economic development plan.

Use: **3COS 2PIES. Qualifier use "It should be...."**

LETTER	Feature	Meaning
C	Comprehensive	Should cover all sectors and regions of the economy
C	Compatible	Create linkages between sectors
C	Consistent	In line with development objectives of a country

O	Optimal	Put available resources to effective use to avoid excess capacity
S	Socially relevant	Address needs local people
P	Proportional in resource allocation	Allocation of resources should be determined by the degree of priority
P	Politically acceptable	Should be acceptable to the masses to ensure their participation in the plan implementation
I	Internationally relevant	Should put into consideration international issues
E	Economically feasible	Should be achievable within the available economic means
S	Simple	Should be easy to be understood by plan implementers and formulates.

P220/1 2018: Describe the principles of economic development planning.

METHODS OF WAGE DETERMINATION IN UGANDA

Sample question

P220/2 2015: How are salaries and wages determined in Uganda?

Use: **PEM/ICT**

LETTER	Point	Hint about the explanation
P	Piece rate system	Pay according to amount of output produced
E	Employer setting the wages (Private sector)	Pay according to the wage set by the employer
M	Market forces of demand and supply of labour	Pay according to the equilibrium wage
I	Individual Bargaining	Pay according to the wage agreed by the employee
C	Collective Bargaining	Pay according to the wage agreed by the labour organization
T	Time rate system	Pay according to the time spent at the work place

A wage is.....

A Nominal wage is.....

A real wage is.....

TRADE UNIONS

Trade union is

Sample question

P220/2: Explain the methods used by Trade unions to settle Industrial disputes.

Use: **2(CMG) PADS**

LETTER	Methods	Brief explanation
C	Collective Bargaining	Representatives of the employees negotiate with the employer and agree wage increase
C	Court action	The court orders the employer to meet the demands of the employee as agreed
M	Media wars (boycott)	The labour organization DE campaigns the commodities produced to force employers meet their demands
M	Mediation/ Arbitration	The third party appeals to employers to

		meet the demands of the employees before legal action is taken
G	Go slow method	Employees reduce their productivity to cause losses to employer to meet their demand
G	Go on strike	Employees express their dissatisfaction through destruction of property at the work place to force employers to meet their demands
P	Picketing	Employees physically restrict loyal employees to the employer from working to force employers to meet their demands
A	Abduction of key members of management	Employees kidnap key members of the production management and threaten employers to meet their demand
D	Demonstration	Employees express their dissatisfaction by refusing to work and use banners to intimidate employers to meet their demands
S	Sit down strike	Employees express their dissatisfaction through deliberate failure to work while at the work place to force employers to meet their demands

DEMERITS OF ECONOMIC DEPENDENCE

Economic dependence is.....

Sample questions

P220/2 2017. What are the demerits of economic Dependence

P220/2 2017. What are the implications of such economic Dependence

Use: **WE PLUCK FEW**

LETTER	Point	Hint about the explanation
W	Worsens BOP problem	Due to over dependence on expensive imports
E	Economic domination by foreigners	Due to over reliance on foreign expatriates
P	Political domination by foreigners	Due to over reliance on foreign production decisions in form of MNCs
L	Laziness/ kills local initiatives	Due to over reliance on machines for production
U	Underutilisation of resources	Due to over dependence on a few sectors to stimulate economic development
C	Cultural erosion	Due to in-flow of foreign aid with strings attached like homosexuality
K	Capital outflow	Due to profit repatriation by foreign investors
F	Fluctuations in prices of agricultural products	Due to foreign determination of the prices of agricultural exports

E	External debt burden (worsens)	Due to over reliance on foreign and internal borrowing
W	Worsens (Technological) unemployment	Due to over reliance on machines than human labor

TOOLS OF PROTECTIONISM

Protectionism is.....

Sample question

How does your country restrict imports?

Use: **MATTIQQS**

LETTER	Tools	Explanation
M	Manipulation of exchange rates	Reduce or increase money used to purchase imports
A	Administrative controls	Reduce on the quantity imported through selective issuance of importation permissions
T	Tarriffs	Increase taxes on imports to reduce their importation within the country
T	Total ban	Total restriction of particular commodity in the country
I	Import licensing	Providing standard working permits to potential importers
Q	Quotas	Imposing physical or quantitative restrictions of the amount imported
Q	Quality control measures	Setting standard to be reached by the commodities to be accepted in the country
S	Subsidisation of local industries	Providing income to local industries to increase output and improve their quality to compete favorably with imports

QUALITIES/ TRAITS OF GOOD MONEY

Begin with: It should be.....

State any four qualities of good money.

Use: **GP 3DRUMS**

LETTER	Point	Meaning
G	Generally acceptable	Easily recognized by all individuals in the country
P	Portable	Easy to carry in various quantities
D	Durable	Ability to last longer
D	Divisible	Easily divided in various denominations
D	Difficult to forge	Should be made out of a unique material and should have unique features and seals
R	Relatively scarce	Should not easily be obtained
U	Uniform	Should have identical features
M	Malleable	Should be easily transformed indifferent shapes
S	Stable in value	Should have relatively stable

ADVANTAGES OF ECONOMIC INTEGRATION

Sample question

P220/1 2011: Explain the benefits of regional economic integration.

Use: **WE SET BIRUQ**

LETTER	Point	How?
W	Widens consumer choice	Due to production of variety of goods by member countries
E	Employment opportunities	Establishment of joint ventures that employ more workers
S	Specialisation and its advantages (Promotes)	Due to concentration on production of better quality products for regional exchange
E	Economic growth	Due to establishment of productive activities due to limited competition which increase output
T	Trade creation (Promotes)	Due to increase benefits from trading with member countries
B	Bargaining power (increases)	Due to increased market for goods and services produced in the region
I	Industrialisation	Due to free mobility of labour among member countries that promote efficiency in production hence increasing profits
I	International relations promoted	Due to coordinated trade among member countries
R	Attracts foreign Resources	Due to the free mobility of factors of production among member countries
U	Utilisation of resources	Due to demand for more raw materials to increase output for regional market
Q	Quality output (improves)	Due to use of machines in production for regional market

ECONOMIC GROWTH.

Economic growth is.....

Sample question

Why may Economic growth not be accompanied by a corresponding rate of economic development?

Begin: When there's

Use: **PINQ PASTE.**

LETTE R	Point	So what
P	Political instabilities	Limit confidence in engaging in economic activities
I	Uneven distribution of income	Limits accessing of basic needs by all people
N	Production of capital goods than consumer goods	Which do not directly satisfy consumers'

		needs
Q	Production of poor quality goods	Which affect the health of people
P	High Price level (high rate of inflation)	Which increase cost of production
A	Limited time for leisure	Causes fatigue and decline in efficiency
S	High social costs (pollution)	Damage the health of the people
T	High levels of taxation (direct taxes)	Directly reduce disposable income of people
E	High levels of unemployment	Which increase the dependence burden

DETERMINANTS OF STANDARD OF LIVING

S.O.L is

Sample question

P220/1 2006: Explain the factors that influence people's standards of living.

Use: **I EAT PINQ PEPSI**

LETTER	Point	How
I	Income of the consumer	Increase consumers purchasing power to access goods and services
E	Education (Level of)	Promotes efficiency-access goods and services due more income earned
A	Availability of time for leisure	Promotes better health conditions
T	Taxation (Level of)	Reduce disposable income-limit access to goods and services
P	Political climate	Promotes production due to assurance of safety of their lives and property
I	Infrastructure (Level of development of)	Reduce cost of production which ease accessibility to goods and services as more income is earned
N	Nature of goods produced	Consumer goods directly satisfy the demands of the consumers
Q	Quality of goods produced	Increase the welfare due to better health conditions
P	Price level	Increase consumer expenditure limiting accessibility to goods and services
E	Employment (Level of)	Increase income earned –increase accessibility to goods and services
P	Political freedom (degree of)	Promotes freedom to engage in political activities to influence economic activities
S	Social costs	Increase health hazards
I	Income distribution	Increase purchasing power-increase accessibility to goods and services

DANGERS/COSTS OF FOREIGN AID

Foreign aid is

Sample question.

P220/2 2010: Explain the problems of relying on foreign aid in Uganda

Use: **CELEBS PUPU**

LETTER	Point	How
C	Cultural erosion	Due to inflow of foreign aid with strings attached like homosexuality
E	Economic domination by foreigners	Due to foreign investment with in the country as a result of tied aid
L	Laziness	Due to over reliance on machines that are provided by foreign investors
E	External debt burden (worsens)	Due to over reliance on foreign borrowing
B	BOP problems	Due to huge expenditure on servicing debts from outside countries
S	Sometimes the conditions set by the donors are disastrous	In case of tied aid requiring retrenchment of civil servants and allowing of MNCs
P	Political domination by foreigners	Due to over reliance on decisions provided by donor countries
U	Unemployment (Technological)	Due to massive use foreign technology which is capital intensive
P	Planning becomes difficult	Since financial and production decisions are made by foreigners
U	Underutilisation of resources	In form of labour due to over reliance on machines/due to project tied aid that capitalize on a specific sector under mining others

DETERMINANTS OF MONEY SUPPLY

Money supply is.....

Sample questions

P220/1 2005: What are the determinants of money supply?

S Explain the factors that influence supply of money in Uganda

Use: **2 GET MILK**

LETTER	Point	Brief explanation
G	Government expenditure (Level of)	Increase/decrease amount of money in circulation
G	Government monetary policy	Restrictive –reduce amount of money in circulation
E	Economic activities (Level of)	Promote acquisition of loans
T	Taxation on people's incomes (Level of)	Reduce peoples disposable income
M	Monetisation of the economy (Level of)	Promotes possession of cash for exchange
I	Interest rate on loans	increase accessibility to loans

L	Liquidity preference (Level of)	Increase desire to acquire money in cash form
K	Capital inflow and outflow (Level of)	Increase income in circulation

METHODS OF CONTROLLING MONOPOLY

Monopoly is.....

Sample question

How can Monopoly be controlled?

Use: **PLASTIC BAR**

LETTER	Point	So what
P	Privatise state Monopolies / price legislation	This creates efficiency in production resulting into production of better quality goods
L	Liberalise the economy	This encourage investment in various activities which increases competition
A	Anti Monopoly laws	These promote establishment of competing firms
S	Subsidies to weak firms	Reduce their cost of production to engage in production and compete for market
T	Taxation	Reduces the profits of firms
I	Investment incentives to weak firms	Reduce their cost of production to engage in production and compete for market
C	Create consumer associations	To increase bargaining strength by consumer to reduce their over charging by producers
B	Bureau of standards (Strength)	Improve quality of goods produced to control consumption of harmful and low quality products
A	Affordable capital to establish rival firms	To promote competition thus promoting efficiency in production
R	Reduction in period of patent rights	To increase accessibility to production rights by other producers

IMPLICATIONS OF UGANDA'S POPULATION STRUCTURE

Sample question

P220/2: Examine the economic implications of Uganda's population structure.

Use: **TELL ME PIG**

LETTER	Point	How
T	Tax potential (high)	
E	Effort to work hard	
L	Large market potential	
L	Labour force (high potential for)	
M	Mobility of labour (Encourages)	
E	Exploitation of resources (high potential for)	
P	Per capital social overhead costs reduce	
I	Investment promoted	

G	Government is awakened to its responsibility	
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NEGATIVE IMPLICATIONS

Use: **DUBE IS BAD**

LETTER	Point	How
D	Dependence burden (high)	
U	Unemployment	
B	Brain drain	
E	Excess government expenditure	
I	Income inequality(worsens)	
S	Social costs (high)	
B	BOP problems	
A	Available infrastructure is overstrained	
D	Domestic market (limited)	

CAUSES OF POOR TOT

TOT is.....

Sample questions

P220/1 2018: Account for the unfavourable T.O.T in LDCS

P220/1 2007: Account for the existence of unfavourable T.O.T

Use: **WE MI FAIL P.2**

LETTER	Point	How
W	Weak Bargaining power of LDCS on world market	Foreigners determine low prices for LDCs commodities
E	Exportation of Semi-processed agric & mineral products	Due to low value they command low prices
M	Market flooding of similar agricultural products on World market	Reduce prices of such commodities to be sold easily
I	Importation of expensive manufactured capital & consumer goods	Increase cost of importation of such commodities in relation to low prices of exports
F	Fluctuating prices of exports	Negative fluctuations in prices of exports as a result of their production with low value added
A	Adoption of raw materials saving technology by MDCs	They reduce demand for raw materials of LDCs which reduce their prices
I	Increased substitution of LDCs exports with synthetic/ artificial fibres	They reduce demand for raw materials of LDCs which reduce their

		prices
L	Low income Elasticity of demand for agricultural products	Even when income is increased world wide, low output is demanded reducing their prices
P	Poor quality of exports	Reduce prices of such commodities due to low value added
P	Protectionist policies of MDCs	They limit quantity of output and dictate low prices for such commodities

MEASURES TO IMPROVE TOT

Sample question

P220/1 2018: Suggest measures that should be taken to improve TOT in developing countries

Use: **MESSI AND DP**

LETTER	Point	So what
M	Manufacture products for export	This increases their value which increase their prices
E	Encourage Importation from cheaper sources	This reduces the cost of importation
S	Strength commodity agreements	This increases bargaining power which increase the price of exports
S	Set up Import substitution industries	Reduce the cost of importation
I	Improve quality of exports	Increase their value which increase their prices
A	Modernize Agriculture	This increase quality and quantity of agricultural products which increase their prices
N	Negotiate for removal of Trade barriers in export markets	Increase quantity of output exported which increase their prices
D	Diversify exports	This increase quantity produced which increase their demand
D	Diversify export markets	This increase prices due to a large area of sale
P	Process primary products for export	This increases their value which increase their prices

MINIMUM WAGE

A minimum wage is.....

Sample question

P220/1 2008: Examine the merits and demerits of setting a high minimum wage.

Benefits/ advantages of minimum wage

Use: **SAVE BIG PIG**

LETTER	Point	How
S	Stabilises incomes of workers	Workers earn high wages that are not

		subject to reduction by the employers
A	Aggregate demand (increases)	Due to increased earnings from a minimum wage
V	Voluntary unemployment (reduces)	Due to need to work hard to earn the high minimum wage
E	Exploitation of workers (Reduces)	Due to high incomes earned inform of high minimum wage
B	Brain drain (reduces)	Since workers are comfortable with high income earned
I	Income inequality (reduces)	As workers earn high incomes inform of high wages
G	Government revenue (increases)	Due to taxing the incomes earned by the workers
P	Productivity of workers (improves)	Due to the need to produce more in order to earn high income
I	Industrial peace (Promotes)	Since workers are comfortable with better pays
G	Government in power becomes popular	Since workers are comfortable better pays

Demerits of a high minimum wage.

Use: **DIRTY GHEE**

LETTER	Point	How
D	Demand pull inflation (results into)	Due to increased disposable income of workers
I	Investment (discourages)	Due to reduced profits of producers
R	Rural urban migration and its evils	As workers move to urban area to get employed which increase their supply in relation to available jobs causing frustrations
T	Technological unemployment	As employers use machines to reduce cost of labour
Y	Income inequality if not evenly implemented	Incase the minimum wage applies to few sectors
G	Government expenditure increases	In order to monitor employers as they meet the agreed standards
H	Hard work is discouraged among producers	Due to reduced profits
E	Excess supply of labour in relation to its demand	Due to rural urban migration by workers to engage in better paying jobs
E	Entrepreneurship discouraged	Due to reduced profits of producers

Minimum wage legislation is.....

DETERMINANTS OF PED

PED is.....

Sample questions

P220/1 2018: Explain the determinants of PED

P220/1 2015: Explain the factors that influence PED

Use: **I 2PACT 2SAND**

LETTER	Point	How (inelastic means low elasticity and elastic means high elasticity)
I	Income of a consumer	
P	Proportion of consumer's Income spent on a commodity	
P	Possibility of postponement of demand for a commodity	
A	Advertisement (Level of)	
C	Convenience in acquiring a commodity (degree of)	
T	Time period (SR vs LR)	
S	Substitutes (Availability of)	
S	Seasonal changes	
A	Addiction (Level of)	
N	Nature of commodity (Durable/ perishable)	
D	Degree of necessity	

NB: Account for low PED

NB: Under what circumstances may demand for a commodity be price Inelastic?

CAUSES OF AGRICULTURAL PRICE FLUCTUATIONS.

Sample question

P220/2 2019: What are the causes of price fluctuations of agricultural products in Uganda?

Use: **BAD 2 PLAY @ HSC**

LETTER	Point
B	Bulkiness of agricultural products thus transport problems
A	Adoption of raw materials saving technology by MDCs
D	Divergence between planned output and actual output
P	Perishability of agricultural products
P	Price Inelastic demand for agricultural products (low PED)
L	Long gestation period of agricultural products
A	Agricultural inputs forming minor inputs in the industrial sector
Y	Income Inelastic demand for agricultural products (low YED)
H	High competition among agricultural producers
S	(Poor) surplus disposal systems
C	Changes in cost of production/ raw materials

MEASURES TO CONTROL AGRICULTURAL PRICE FLUCTUATIONS

Sample question

P220/1 2015: Explain the measures that should be taken to stabilise prices of agricultural products.

P220/2 2019: What measures have been taken to stabilise prices of agricultural products in Uganda?

Use: **DISMISS BCA**

LETTER	Point
D	Diversification of agriculture
S	Subsidise Farmers
M	Modernisation of agriculture
I	Infrastructure should be improved
S	Stabilisation fund should be established

S	Strengthen international commodity agreements
B	Buffer stock schemes should be established
C	Co-operative societies should be strengthened
A	Agro-based industries should be established

REASONS FOR DEVELOPMENT PLANNING

Sample questions

P220/1 2014: Why is it necessary to formulate an economic development plan in Uganda?

P220/1 2010: Why is development planning necessary in an economy?

Use: **DUBAI FIRES**

LETTER	Point	How
D	Dependence (To reduce economic)	Through encouraging comprehensive planning in form of infrastructural development
U	Unemployment (To reduce)	Through establishing industries
B	BOP position (To improve)	Through establishing import substitution industries
A	Allocation of scarce resources (To promote)	Through empowering small scale industries
I	Inflation (To control)	Through establishing import substitution
F	Foreign aid (To mobilise)	Through external borrowing
I	Income inequality (To reduce)	Through progressive taxation
R	Resource Utilisation (To promote)	Manpower planning
E	Economic growth (To promote)	Through promoting industrialization
S	Suitable areas for private and public investment (To identify)	Through centralized planning

BENEFITS OF ECONOMIC DEVELOPMENT PLANNING

Sample questions

P220/1 2019: Explain the benefits of development planning in an economy.

P220/1 2005: Explain the importance of economic development planning.

Use: **DUBAI FIRES**

NEGATIVE ROLES OF DEVELOPMENT PLANNING

Sample question.

Explain the demerits of economic development planning

Use: **BIRDS ICE**

LETTER	Point	How
B	Bureaucracy/ redtape	Centralized planning makes decision making difficult
I	Inefficiency in production	Nationalization reduce competition
R	Resource wastage	Privatization and over production
D	Dictatorship promoted	Through centralized planning
S	Sovereignty (Limits consumer)	Due to emergence of state monopoly
I	Individual initiative discouraged	Due to the use of machines
C	Corruption becomes rampant	Due to centralized decision making

E	Expenditure (Increases government)	Due to the need to subsidise local firms
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- Assess/ Examine the role of planning in economic development of an economy.
- What is the role of planning in an economy.
- Explain the role of planning in LDCs

CAUSES OF PLAN FAILURES

Sample questions P220/1 2018:

What challenges do developing countries face when implementing development plans?

P220/1 2014: Explain the factors that limit successful implementation of economic development plans in LDCs.

Use: **SPAIN FAILED**

LETTER	Point	How
S	Statistical data (Limited)	Limits proper identification of priority areas/limits proper allocation of productive resources
P	Political instability	Limits confidence to invest in certain projects
A	Ambitious plans (Over)	Limit setting of achievable plans
I	Inflation (High rates of)	Increase the cost of implementation and mobilizing resources
N	Natural disasters	Hinder mobilization of resources
F	Funds (Limited)	Limits purchasing of required machinery
A	Accountability (Low level of)	Limit funds –limit purchasing of required machinery
I	Infrastructure (Poor)	Increase the cost of accessing resources
L	Labour skills (Limited)	Limit efficiency
E	External resources (Dependence on)	Limits quick decision making
D	Degree of political interference (High)	Limits quick decision making and proper mobilization of resources

FACTORS THAT INFLUENCE THE IMPLEMENTATION OF ECONOMIC DEVELOPMENT PLANS

NB: State neutral points

Give two sided explanation

Sample question

P220/2 2015: Explain the factors that influence the implementation of economic development planning.

Use: **SPAIN FAILED**

LETTER	Point	How
S	Statistical data (Availability of)	
P	Political climate	
A	Ambitiousness in planning (Level of)	
I	Inflation (Rate of)	
N	Nature (Level of Dependence on)	
F	Funds (Availability of)	
A	Accountability (Level of)	
I	Infrastructure (Level of development of)	

L	Labour skills	
E	External resources (Level of Dependence on)	
D	Degree of political interference	

P220/2 2016. Suggest measures that should be adopted to improve economic development planning in Uganda.

Use: **SPAIN FAILED**

FACTORS THAT INFLUENCE THE PROCESS OF CREDIT CREATION

Sample question

P220/1 2017: Explain the factors that influence the process of credit creation in an economy.

Use: **MAD PIG IS IN BLACK**

LETTER	Point	How?
M	Monetisation of the economy (Level of)	Increase the need to use money in transactions
A	Accountability (Level of)	Increase the amount of loanable funds
D	Degree of uncertainty	Increase the need to use money
P	Political climate	Promotes confidence to engage in production
I	Interest rate on loans	Increase affordability of loans
G	Government monetary policy	Support lending by commercial banks
I	Investment opportunities (Level of)	Increase the profits
S	Size of cash ratio	reduce amount of loanable funds
I	Inflation (rate of)	Limit investment due to increased C.O.P
N	Nature of distribution of commercial banks	Increase accessibility to loans by investors
B	Bank deposit (size of)	Increase the amount of loanable funds
L	Liquidity preference (Level of)	Increase desire to hold access loans
A	Availability of credit worthy customers	Increase loaning activities
C	Collateral security (Availability of)	Increase capacity to acquire loans
K	Knowledge of the public about services of C.M.Bs	Encourage quick borrowing

P220/1 2005: Given that a micro finance bank has initial deposit of shs1,000,000 and the required cash ratio of 25%. Calculate the;

1. Credit multiplier
2. Total deposit that will be created in a multi bank system.

LIMITATIONS TO THE CREDIT CREATION PROCESS

Sample questions

P220/1 2015: What factors limit the ability of CMBs to create credit?

P220/2 2010: Explain the factors that limit credit creation by CMBs in Uganda.

- State biased points
- Give one sided explanation

Use: **MAD PIG IS IN BLACK**

P220/2 2010: How do C.M.Bs create credit? (Illustrate your answer)

IMPORTANCE OF NATIONAL INCOME

Sample question

P220/1 2014: Explain the importance of computing national income

Use: **DIESEL IS RED**

LETTER	Point	How? National income reveals information concerning.....
D	Dependence on other economies (it shows the extent of)	Contribution of various sectors on national development such as foreign sector
I	Income distribution (Shows the level of)	Incomes generated from various sectors of the economy
E	Expenditure patterns of the country (shows the)	Expenditure incurred by all sectors in the country
S	Solicit for foreign aid (used to)	Information performing poor performing sectors to identify potential assistance
E	Economic growth (indicates the rate of)	Output produced and sold in various sectors of the country
L	Leading & lagging sectors of the economy (identifies)	Information concerning the best and least performing sectors of economy in order to devise appropriate help in the lagging sector
I	International comparison (used for)	Information concerning the country level of development to be compared with others for example percapita income
S	Standard of living over time (comparing)	Percapita income figures of the country over a given period to identify the period with better standards

R	Resource Utilisation (it shows the level of)	The contribution of various sectors to national revenue to determine the level of employment
E	Economic analysis and planning (useful for)	Performance of various sectors of economy to identify appropriate measures to promote linkages
D	Development by way of PCY (used to show the level of)	That higher PCY implies better standard of living and level of development compared to areas with low PCY

DETERMINANTS OF NATIONAL INCOME

Use: DIPLOMATIC GIRLS.