

**P/220**  
**ECONOMICS**  
**AUGUST**  
**3HOURS**

**UGANDA ADVANCED CERTIFICATE OF EDUCATION**  
**S.5 ECONOMICS ASSESSMENT**  
**END OF TERM TWO, 2025**

**INSTRUCTIONS:**

- *Attempt only 5 items.*
- *Section A is Compulsory.*
- *Answer only 3 items in Section B.*
- *All items carry equal scores.*
- *Any additional item will not be Scored.*

**SECTION A (40 SCORES)**  
**(Attempt all items in this section)**

**ITEM ONE:**

The republic of Tumuku has recently announced plans to restructure its economic organization so that all production assets and resources are individually owned and allocated by market forces of demand and supply. However, critics warn that without adequate safeguards, it could lead to market failures and leave essential services underprovided. This ongoing arrangement has triggered a great debate among decision makers about the potential outcomes that such a structure could bring to Tumuku's development.

**Tasks:**

- (a) Describe the distinctive characteristics of adopting such economic system.
- (b) As an economist, help the decision makers identify the potential outcomes of adopting such economic system. **(20 Scores)**

**ITEM TWO:**

In the local market of Kifumbi, the price of premium cooking oil increased sharply from 2,000 shillings per 5-litre container to 4,000 shillings within a month due to supply chain disruptions. Surprisingly, the quantity bought by most households fell only slightly from 60 containers per month to 57 containers. Local traders are curious why customers have not reduced their purchases significantly despite the high price increase.

**Tasks:**

- (a) Calculate the degree of responsiveness of demand in the case.
- (b) Identify the category of responsiveness demonstrated and justify your classification.
- (c) As an economic adviser to the Kifumbi Traders Association, clearly explain the factors that may account for the low sensitivity of demand to the price increase. **(20 Scores)**

## SECTION B (60 SCORES)

*“Attempt Only 3 Items from This Section.”*

### ITEM THREE:

The central authority is debating whether to invest equally and simultaneously across all sectors or focus on developing a few strategic sectors that could drive growth in other areas. The country faces limited financial resources and a growing population demanding improved services.

#### Tasks:

- (a) As an economist, recommend one growth strategy, outlining the arguments for and against it.
- (b) Clearly identify the factors that might limit the success of the chosen strategy in (a) above. *(20 Scores)*

### ITEM FOUR:

In Country X, shifts in technology, market demand and demographic patterns have been reshaping the structure of employment. However much new opportunities are emerging in some sectors others face a decline. The ease with which labour moves from one job to another keeps on varying as some workers readily change occupations while others remain in the same roles despite changing conditions in the country.

#### Task:

As an economist, examine the wide range of factors that influence the ease with which labour moves from one job to another or from one area to another.

*(20 Scores)*

### ITEM FIVE:

Uganda continues to face a situation where the overall output of goods and services is growing at a slow pace than its full productive potential. Most sectors such as manufacturing, agriculture, transport and others are characterized by under-utilized capacity where employment and resources remain in constant reduction levels. During some periods, certain goods and services are in short supply despite the presence of idle machinery, skilled labour, and land. The persistence of this trend raises important questions about the structural weakness of the economy and the urgency of adopting effective strategies to accelerate growth and development.

#### Tasks:

- (a) Analyse the factors contributing to a slow increase in the volume of goods and services produced in the presence of idle capacity.
- (b) As an economist, suggest measures that can stimulate an increase in the volume of goods and services produced in the country. *(20 Scores)*

**ITEM SIX:**

The government of Bungata has experienced frequent fluctuations in the retail prices of consumer goods over the past year. The Ministry of Trade has now tabled a Bill in parliament proposing that a state-regulated pricing be applied to all consumer goods for the next 12 months as this will keep prices affordable, but opponents warn it may lead to shortages and undermine market efficiency.

**Task:**

As a consultant to the Ministry of Trade, propose a detailed evaluation of the likely impact of introducing a state-regulated pricing for consumer goods in Bungata. **(20 Scores)**

**-END-**

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