



ECONOMICS - PAPER 5

OVERALL AIM

To equip the learner with knowledge on how the economy functions and suggest practical solutions to the economic problems.

LEARNING OUTCOMES

On completion of this course, the learner should be able to:-

1. Explain the nature and scope of economics
2. Identify economic problems of allocating scarce resources
3. Describe major economic theories and models
4. Explain the relevance of various economic theories to the nation
5. Explain the determination of prices in various market settings for inputs and outputs
6. Identify and describe the different types of economic systems
7. Demonstrate an understanding of Uganda's monetary and fiscal system
8. Identify and explain the macroeconomic issues affecting economies
9. Explain the main features of the Ugandan economy
10. Explain the basic features of international economics
11. Identify and explain appropriate strategies for development of Uganda's economy

LEVEL OF ASSESSMENT

The examination will mainly test knowledge and comprehension.

EXAMINATIONS STRUCTURE

There will be a three hour examination made up sections A and B. Section A will comprise of 20 compulsory multiple-choice questions of 20 marks. Section B will comprise of five questions of 20 marks each, of which the candidate will be required to attempt any four.

DETAILED SYLLABUS

A. INTRODUCTION

1. Definition
2. Basic concepts
3. Nature and scope
4. Alternative economic systems
5. Classification of goods

B. PRICE THEORY

1. Concepts of demand and supply
2. Determination of equilibrium price
3. Elasticity and its applications
4. Consumer behaviour; utility theory and indifference curve analysis
5. Price
 - (a) Types of prices
 - (b) Determination of prices
6. Price mechanism; role and limitations
7. Government intervention in price determination
8. Applications of price theory

C. PRODUCTION

1. Meaning and purposes
2. Types of production and stages
3. Factors of production and their importance
4. Mobility of factors of production
5. Specialisation: merits and limitations
6. Theory of the firm
7. Law of diminishing returns
8. Concept of output
9. Costs of production
10. Economies and diseconomies of scale
11. Existence of small firms
12. Costs and revenue
13. Market structures:
 - (a) Perfect and imperfect competition
 - (b) Price discrimination
 - (c) Price and output decisions
 - (d) Merits and demerits of each type of market

D. NATIONAL INCOME

1. Definition
2. Concepts of national income
3. Estimation of national income
 - (a) Approaches
 - (b) Uses
 - (c) Problems and limitations
4. The circular flow of income and expenditure
5. Determinants of national income
6. Application of national income statistics
7. Income inequality and distribution
8. Standard of living and per capita income
9. Cost of living index
10. Determination of equilibrium in an economy
11. Disequilibrium in the economy; deflationary and inflationary gaps
12. Savings and investments
13. Multipliers and accelerators

E. MONEY AND BANKING

1. Money
 - (a) Meaning and evolution
 - (b) Qualities of good money and its functions
 - (c) Theories of demand and supply of money
 - (d) Barter trade: merits and demerits
 - (e) Concept of a monetary economy
 - (f) Role of money in development
 - (g) Demerits of using money
2. Banking
 - (a) Definition
 - (b) Commercial banks
 - (i) Role in the development process
 - (ii) Functions
 - (iii) Problems
 - (c) Credit creation
 - (i) Meaning
 - (ii) Assumptions
 - (iii) Process
 - (iv) Limitations

- (d) Non-banking financial intermediaries
 - (i) Meaning
 - (ii) Role
- (e) Concept of liquidity and profitability
 - (a) The Central Bank
 - (i) Definition,
 - (ii) Role and functions in the development process
 - (b) Monetary policy
 - (i) Definition
 - (ii) Objectives
 - (iii) Tools
 - (iv) Limitations to its operations in developing nations
 - (c) Bank regulation and supervision
 - (i) The Financial Institutions Act 2004
 - (ii) The Bank of Uganda Act, Cap 51
 - (iii) The micro finance deposit-taking institutions Act, 2003.

F. PUBLIC FINANCE AND FISCAL POLICY

1. Definition
2. Role of public finance in development
Branches of public finance:
 - (a) Public revenue
 - (b) Public expenditure
 - (c) Public debt
 - (d) Financial administration and fiscal policy
3. Sources of finance
4. Taxation:
 - (a) Structure
 - (b) Classification
 - (c) Principles/ characteristics
 - (d) Impact and incidence
 - (e) Merits and demerits
5. Public expenditure:
 - (a) Types
 - (b) Need for state spending
 - (c) Impact on development
6. Budgeting:
 - (a) Definition of budget
 - (b) Types and need for each type
 - (c) The budget process

- (d) Budget as instrument for social and economic development
- 7. Public debt:
 - (a) Classification
 - (b) Sources
 - (c) Importance and limitations
- 8. Deficit financing
- 9. Debt financing versus taxation financing
- 10. Fiscal policy:
 - (a) Tools
 - (b) Objectives

G. INFLATION

1. Definition
2. Types, causes and effects of each type
3. Theories of inflation
4. Causes and effect of inflation in Uganda
5. Policies used to control inflation in Uganda
6. Deflation, stagflation and reflation

H. POPULATION AND LABOUR ECONOMICS

1. Population
 - (a) Theories of population
 - (b) Population changes and effects on the economy
 - (c) Policies of population control
 - (d) Concepts of under, optimal and over population
2. Labour
 - (a) Structure of labour force
 - (b) Labour and labour force
 - (c) Determinants of labour force in an economy
 - (d) Characteristics of labour force in developing countries
 - (e) Efficiency of labour and productivity of labour
 - (f) Factors which influence productivity/ efficiency of labour
 - (g) Demand for labour and supply of labour
 - (h) Factors that determine demand for labour and supply of labour
3. Wage theories
 - (a) Systems/ methods of paying workers
 - (b) Merits and demerits of each system
 - (c) Theories of wage payment
 - (d) Arguments for and against each theory
 - (e) Causes of wage differentials

- (f) Effects of wage differential
- (g) Trade unions and their activities

I. UNEMPLOYMENT

1. Definition
2. Nature and types
3. Causes of each type of unemployment and solutions
4. Causes of unemployment in Uganda
5. Solutions to the unemployment problem in Uganda
6. Effects of unemployment on the development of an economy

J. INTERNATIONAL TRADE

1. Definition
2. Role of international trade in development
3. Laws of comparative advantage and absolute advantage
4. Terms of trade:
 - (a) Meaning
 - (b) Causes of poor terms of trade and how to improve
5. Balance of payments:
 - (a) Components
 - (b) Causes of balance of payments deficits
 - (c) Effects and adjustments of balance of payments problems
6. Commercial policy; free trade versus protectionism
7. Concepts of devaluation and revaluation
8. Regional economic integration e.g. East African Community (EAC), Northern Corridor Integration Projects (NCIP), Inter Governmental Authority for Development (IGAD) and Common Market for Eastern and Southern Africa (COMESA)
 - (a) Origin
 - (b) Aims
 - (c) Stages
 - (d) Successful implementation
 - (e) Benefits
 - (f) Achievements
 - (g) Shortcomings
9. Foreign aid
 - (a) Meaning
 - (b) Forms
 - (c) Importance

- (d) Problems
- 10. Foreign exchange:
 - (a) Meaning
 - (b) Sources
 - (c) Scarcity
 - (d) Reserves
 - (e) Rates
 - (f) Types; merits and demerits of each type of exchange rate
- 11. Institutions and agreements in international trade
 - (a) Aims of:
 - (i) General Agreement on Tariffs and Trade (GATT)
 - (ii) International Bank for Reconstruction and Development (IBRD)
 - (iii) International Monetary Fund (IMF)
 - (iv) World Trade Organisation (WTO)
 - (v) United Nations Conference on Trade and Development (UNCTAD)
 - (b) Explain the achievements and failures of the above institutions

K. ECONOMIC GROWTH AND DEVELOPMENT

1. Definitions
2. Growth versus development
3. Stages of growth
4. Theories of growth and development
5. Characteristics of developing countries
6. Indicators of growth and development
7. Development strategies:
 - (a) Import substitution versus export promotion
 - (b) State intervention versus free enterprise
 - (c) Balanced versus unbalanced
 - (d) Agriculture versus industry

L. ECONOMIC DEVELOPMENT PLANNING

1. Meaning
2. Types of plans; merits and demerits of each
3. Elements of a development plan
4. Elements of a plan strategy
5. Planning process
6. Importance of economic planning

7. Characteristics of a good plan
8. Conditions necessary for effective planning
9. Implementation of development plans
10. Why plans fail

M. THE STRUCTURE OF UGANDA'S ECONOMY

1. Salient features of Uganda's economy
2. Implications of the structure of Uganda's economy
3. Concept of dualism
4. The structure of the agricultural sector in Uganda
 - (a) Effects of such a structure on the economy
 - (b) Ways of how such a structure can be changed
 - (c) Causes of poor performance of the agricultural sector
 - (d) Solutions to the problems of the agricultural sector in Uganda
5. The structure of the industrial sector in Uganda
 - (a) Effects of such a structure on the economy
 - (b) Ways of how such a structure can be changed
 - (c) Causes of poor performance of the industrial sector
 - (d) Solutions to the problems of the industrial sector in Uganda
6. Subsistence and monetary sectors
 - (a) Definitions
 - (b) Characteristics
 - (c) Merits and demerits of monetary and subsistence sectors
7. Imports versus exports
 - (a) Structure of Uganda exports and imports
 - (b) Effects of such a structure on Uganda's economy
 - (c) Ways of improving such a structure
8. Ownership of business organisations
 - (a) Private sector versus public sector enterprises
 - (b) Businesses under the private sector
 - (i) Sole proprietorships
 - (ii) Partnerships
 - (iii) Joint stock companies
 - (c) Businesses under the public sector
 - (i) Parastatals
 - (ii) Public corporations
 - (d) Features of the different business organisations; advantages and disadvantages of each type
 - (e) Advantages and disadvantages of private ownership and public/ state/ government ownership of business enterprises

- (f) Justification for private and government ownership of business enterprises
- (g) Problems faced by private and public/ state enterprises
- 9. The privatisation process
 - (a) Definition of privatisation
 - (b) Forms of privatisation
 - (c) Reasons for privatisation
 - (d) Problems encountered in the privatisation process
 - (e) Merits and demerits of privatisation
- 10. Economic dependence
 - (a) Forms of economic dependence
 - (b) Effects of economic dependence
 - (c) Means of minimising economic dependence

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5. Grant S. J (2000), Stanlake's Introductory Economics, Pearson Education Limited, 7th Edition.