

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

CPA(U) EXAMINATIONS

LEVEL ONE

ECONOMIC ENVIRONMENT – PAPER 2

WEDNESDAY, 28 NOVEMBER 2012

INSTRUCTIONS TO CANDIDATES:

1. Time allowed: **3 hours 15 minutes**.
The first 15 minutes of this examination have been designated for reading time. You may not start to write your answer during this time.
2. This examination contains Sections **A** and **B**.
3. Section **A** is bound separately from Sections **B**.
2. Attempt all the 20 multiple-choice questions in Section **A**. Each question carries 1 mark.
4. Attempt **four** out of the **six** questions in Section B. Each question carries 20 marks.
5. Write your answer to each question on a fresh page in your answer booklet.
6. Please, read further instructions on the answer booklet, before attempting any question.

SECTION B

Attempt four of the six questions in this section

Question 2

- (a) Distinguish between competitive supply and joint supply. (4 marks)
 - (b) With the help of diagrams, distinguish between a change in supply and a change in quantity supplied. (6 marks)
 - (c) Explain **five** factors that may cause a fall in supply of a commodity at a constant price. (10 marks)
- (Total 20 marks)**

Question 3

- (a) Define the following terms:
 - (i) sheltered monopoly. (2 marks)
 - (ii) perfect monopoly. (2 marks)
 - (iii) spatial monopoly. (2 marks)
 - (iv) statutory monopoly (2 marks)
 - (b) Explain **six** advantages of monopoly in an economy. (12 marks)
- (Total 20 marks)**

Question 4

- (a) Differentiate between 'labour intensive' and 'capital intensive' techniques of production. (4 marks)
 - (b) Explain **four** advantages and **four** disadvantages of using labour intensive production techniques in developing countries. (16 marks)
- (Total 20 marks)**

Question 5

- (a) Distinguish between trade bans and import quotas. (4 marks)
 - (b) Outline **six** effects of devaluation on an economy. (6 marks)
 - (c) Explain **five** disadvantages of trade protectionism on an economy. (10 marks)
- (Total 20 marks)**

Question 6

- (a) Distinguish between annual plans and corrective plans. (4 marks)
 - (b) Outline **four** merits of a comprehensive plan. (4 marks)
 - (c) Explain **six** characteristics of a good plan. (12 marks)
- (Total 20 marks)

Question 7

- (a) Give **four** characteristics of the informal sector in Uganda. (4 marks)
 - (b) Outline **six** problems faced by the informal sector in Uganda. (6 marks)
 - (c) Explain **five** positive roles of the informal sector in the development of your country's economy. (10 marks)
- (Total 20 marks)