

SENIOR FIVE ECONOMICS SOLUTIONS

1. Why people engage in production

- To satisfy human needs
- To earn a living
- To improve the standard of living by producing or providing goods and services from many areas.
- To create/accumulate wealth.
- To provide variety of goods and services so that there is improvement in welfare.
- To create employment.

2. a) Wealth is the stock of assets, exploitable resources or goods belonging to a community or individual at any given period of time.

b) Wealth has the following characteristics

- Has utility
- It is limited in supply
- It has money value
- Its ownership can be transferred from one individual to another.
- It can be accumulated or reduced in volume.
- Must be owned by someone (i.e. individuals/society)

3. a) Labour demand is the number of employees or workers employers are willing to offer jobs and retain in employment at a given wage rate.

b) Determinants of labour demand

- Level of demand for the product
- The marginal productivity of labour
- The level of wages
- Degree of substitutability of labour by other factors.
- Proportion of total wage bill to the total cost of production.
- Avail ability of co-operant factors
- Skills of the workers
- Technology being used in the firm/country
- Government policy
- Number of employers in the economy
- Prevailing economic situation.

4. Importance of labour mobility in an economy includes;

- Helps to reduce scale of unemployment.
- Raises labour productivity and efficiency
- Fosters greater production/greater output
- Helps improve standard of living
- Encourages labour to be educated and trained
- Promotes innovations and inventions
- Helps create greater sense of personal relations and international

community.

5. The occurrence of geographical immobility of labour in Uganda is due to;
 - Poor transport system.
 - Limited knowledge on jobs available elsewhere
 - Family ties and extended families
 - Remoteness of some areas
 - Insecurity in some areas.
 - Fear of the unknown in other areas
 - Prejudices held by workers about certain areas,
 - Government policy regarding freedom of movement.
 - Cost of living in some areas is a bit scary.

6. a) Human capital refers to the pool of accumulated knowledge and skills of human beings devoted towards the production process.

- b) Sink capital refers to specialized capital that cannot be easily used for an alternative purpose besides that for which it was made.

- c) Sources of capital include; loans, savings, inherited wealth, donations, sale of assets.

7. Uses of capital in an economy include;
 - Helps increase productive capacity in an economy.
 - Makes it possible to exploit the available natural resources.
 - Capital accumulation enables an economy to break through the vicious cycle of poverty.
 - Facilitates development of infrastructure.
 - Fosters research so that new and better methods of production are found.
 - Facilitates exchange/trade that lead to commercial production.
 - Helps in technological transfer and technological development.
 - Quickens production process so high output and economic growth.
 - Capital accumulation improves on balance of payments position.
 - Circulating capital works as payment to factors of production which increases their contribution to the production process.
 - Promotes specialization (and associated advantages)

8. Factors responsible for low numbers of entrepreneurs in Uganda include;
 - Shortage of investment capital
 - Bad political climate in some areas
 - High levels of uneducated
 - Limited size of market/poverty among the people
 - Limited/poor government will
 - Superstition and poor social attitudes thus fear.
 - Economy still underdeveloped.
 - Limited abilities.

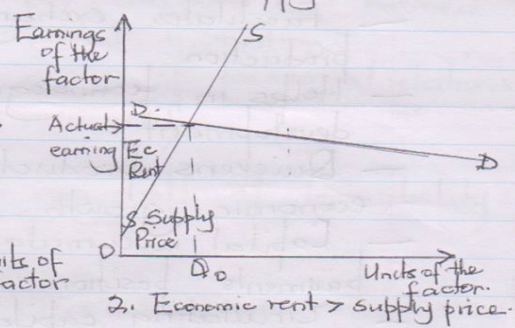
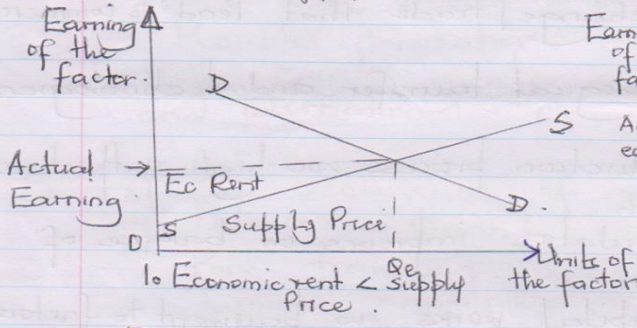
9. Merits of direct production/subsistence production include;
 - Little wastage of resources.
 - Simple tools required don't strain producers

- No transport costs to consumers – affordability.
- Basic family needs are easily met
- Utilisation of cheap family labour
- Limited risks when demand changes.
- Employment for majority though with low income.

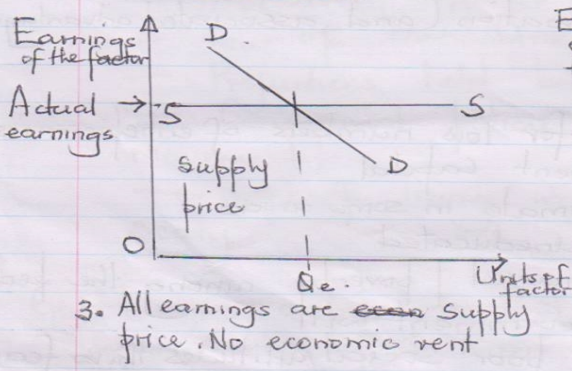
10. Diagrams showing the relationship between elasticity of supply and the economic rent earned by a factor.

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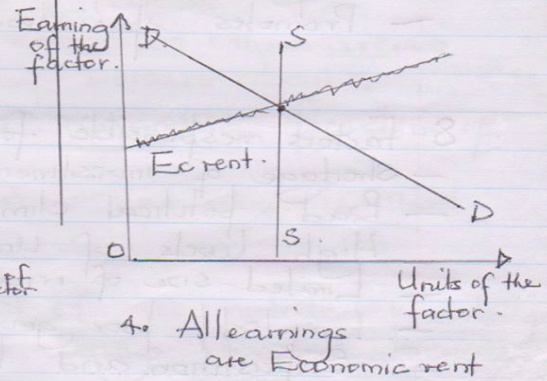
Elastic Supply and Economic Rent Inelastic supply and Economic Rent



Perfectly elastic supply and economic rent



Perfectly inelastic supply and economic rent



5. For Unit elasticity of supply, Economic rent is equal to supply price