

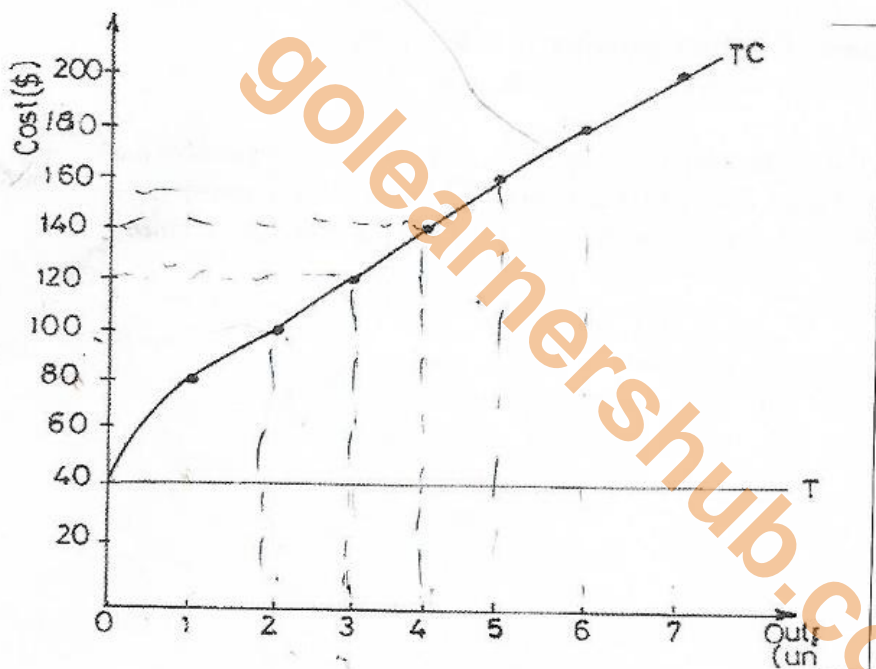
Answer **four** questions in all: **One** from section A and any **three** from section B.
You are reminded of the importance of clarity of expression and orderly presentation of relevant materials.

All questions carry equal marks.

SECTION A

Answer **one** question **only** from this section.

1. The total fixed cost (TFC) and total cost (TC) functions of a hypothetical firm are shown in the graph below. Study it and answer the questions that follow.



- (a) Determine the firm's:
- variable cost at output levels 2, 4 and 6; [6 marks]
 - average total cost at output levels 2 and 3; [4 marks]
 - marginal cost at output levels 4 and 6. [4 marks]
- (b) If the price of the firm's product is \$40, calculate the firm's profit or loss when the following units are sold:
- 2 units; [3 marks]
 - 4 units. [3 marks]

The table below shows the incomes and rates of income tax levied on four professionals in an economy. Use the data to answer the questions that follow.

Profession	Income per month (\$)	Tax rate (%)	Disposable income (\$)
Doctor	8,000	10	
Engineer	7,000	12	
Civil Servant	5,000	18	
Nurse	6,000	15	

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- (a) Calculate the disposable incomes of the four individuals. [12 marks]
- (b) What system of taxation was employed? [2 marks]
- (c) Give a reason for your answer in (b). [2 marks]
- (d) With the aid of a diagram, explain the system of taxation employed in (b). [4 marks]

SECTION B

Answer **three** questions only from this section.

- (a) What is a *trade union*? [2 marks]
- (b) Describe any **four** functions of trade unions. [12 marks]
- (c) Outline any **two** weapons used by trade unions to achieve their objectives. [6 marks]
- (a) Outline any **four** objectives of a price control policy. [8 marks]
- (b) Highlight any **four** effects of a maximum price control policy. [12 marks]
- (a) What are *infant industries*? [2 marks]
- (b) State any **four** reasons for protecting infant industries. [12 marks]
- (c) Outline any **three** ways by which industries can be financed in West Africa. [6 marks]

Turn over

6. (a) What is *balance of payment disequilibrium*? [2 marks]
- (b) Explain the **two** types of balance of payment disequilibrium. [6 marks]
- (c) Highlight any **four** reasons most West African countries are experiencing balance of payment problems. [12 marks]
7. (a) What is *deflation*? [2 marks]
- (b) Outline any **three** positive effects of deflation. [9 marks]
- (c) Explain the ways by which inflation affects any **three** functions of money. [9 marks]
8. (a) What is *protective tariff*? [2 marks]
- (b) Outline any **four** reasons in favour of protective tariff. [12 marks]
- (c) State any **two** reasons against protective tariff. [6 marks]

END OF ESSAY TEST

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Answer **all** the questions.

Each question is followed by **four** options lettered **A** to **D**. Find out the **correct** option for each question and shade in **pencil** on your answer sheet, the answer space which bears the same letter as the option you have chosen. Give only **one** answer to each question. An example is given below.

Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses. *Ends* here refers to

- A. input.
- B. wants.
- C. choice.
- D. output.

The **correct** answer is wants, which is lettered **B** and therefore answer space **B** would be shaded.

A B C D E

Think carefully before you shade the answer spaces; erase completely any answer you wish to change.

Do all rough work on this question paper.

Now answer the following questions.

1. Economics is regarded as a science because it
 - A. studies laws that govern human behaviour.
 - B. uses scientific methods to explain human behaviour.
 - C. makes use of controlled experiments to explain human behaviour.
 - D. makes use of machines to study human behaviour.
2. Which of the following **cannot** be described as land?
 - A. Forest
 - B. Diamond
 - C. Roads
 - D. Crude oil
3. An outward shift of the production possibility curve shows that
 - A. production is shifting to the right.
 - B. resources are underutilized.
 - C. economic growth has taken place.
 - D. factors of production are moving outward.
4. The following constitute the criteria for identifying an economic system **except**
 - A. ownership of resources.
 - B. scarcity of resources.
 - C. method of decision making.
 - D. motivation for production.
5. A disadvantage of the *mean* as a measure of central tendency is that it
 - A. is affected by extreme values.
 - B. can only be used for continuous data.
 - C. cannot be used to measure the qualities of a population.
 - D. cannot be determined in grouped data.
6. Which of the following is **not** an effect of many middlemen in the *chain of distribution*?
 - A. Shortage of commodities
 - B. Low retail prices
 - C. Hoarding of goods
 - D. High retail prices

7. If the price of flour rises, then bread's
- demand curve will shift to the left while supply curve will shift to the right.
 - supply curve will shift to the left.
 - supply curve will shift to the right.
 - demand curve will shift to the right while supply curve remains unchanged.
8. Which of the following is **not** a reason for abnormal demand?
- Price of the commodity
 - Goods of ostentation
 - Giffen goods
 - Rare commodity
9. Increase in production subsidies will shift
- the demand curve to the left.
 - the supply curve to the right.
 - both the supply and demand curves to the left.
 - the supply curve to the left and demand curve to the right.
10. The market supply curve slopes upwards from left to right indicating that
- producers pay high taxes.
 - two commodities can be supplied at the same time.
 - at a lower price, less is supplied.
 - at a lower price, more is supplied and demanded.
11. Government revenue will increase if taxes are levied on goods with
- perfectly elastic demand.
 - fairly elastic demand.
 - perfectly inelastic demand.
 - unitary elastic demand.
12. If a given change in price brings about a proportionately larger change in quantity demanded, then
- demand is relatively price elastic.
 - demand is relatively price inelastic.
 - price elasticity of demand is unitary.
 - price elasticity of demand is constant.
13. If the price of a commodity **Z** falls and a consumer buys less of it, then commodity **Z** is a
- necessity.
 - good of ostentation.
 - Giffen good.
 - normal good.
14. In order to calculate total utility (TU) from given levels of marginal utility (MU), one has to
- subtract MU from TU.
 - add MU from the various levels.
 - multiply MU by the initial TU.
 - divide current MU by previous MU.
15. Which of the following will **not** affect the market price of a commodity?
- Increase in demand
 - Change in tastes
 - Intersection of demand and supply
 - Increase in supply

16. All the following are methods of determining prices **except**
- maximum pricing.
 - rationing.
 - minimum pricing.
 - auctioning.
17. The law of diminishing returns relates to
- total utility.
 - average utility.
 - total product.
 - marginal product.
18. By adding all the marginal products at each level of employment of the variable inputs, we obtain a value equal to
- average product.
 - total product.
 - average variable cost.
 - total cost.
19. Total cost is obtained by
- adding up the marginal cost and average variable cost.
 - dividing the total cost by output at each level.
 - adding up the average variable cost at each level.
 - adding up the total variable cost and total fixed cost.
20. Which of the following cost curves is **not** U-shaped? The
- marginal cost curve.
 - average fixed cost curve.
 - average total cost curve.
 - average variable cost curve.
21. Which of the following business organizations is likely to experience disagreements between management and shareholders?
- Co-operative society
 - Sole-trader
 - Partnership
 - Joint-stock company
22. Which of the following is **not** a method of controlling monopoly?
- Preventing mergers
 - Indigenization
 - Privatization
 - Imposing high profit tax
23. Which of the following features distinguishes a public limited company from a private limited company?
- Perpetual existence
 - Limited liability
 - Legal entity
 - Sale of shares to the public
24. Inflation may occur if there is
- excess supply over demand.
 - increase in productivity.
 - excess demand with limited supply.
 - increased government spending in a depressed economy

Frictional unemployment occurs when

- A. there is a change in the technique of production.
- B. job seekers lack information where the jobs exist.
- C. bad weather prevents work from progressing.
- D. job seekers have disabilities.

Which of the following will increase the demand for labour?

- A. Increased wage rate
- B. Labour's demand for output
- C. Low wage rate
- D. Low marginal productivity of labour

One reason for low agricultural productivity in most West African countries is that

- A. farmers are not capable of cultivating cash crops.
- B. it does not provide income to farmers with large families.
- C. farmers find it difficult getting financial help from financial institutions.
- D. it is not the only source of raw materials for agro-based industries.

The movement of labour from one grade to an entirely different grade is an example of

- A. industrial labour mobility.
- B. horizontal occupational mobility.
- C. vertical occupational mobility.
- D. geographical mobility.

10 bags of wheat bought for \$ 50 by a flour miller were sold for \$ 65. What is the Value Added Tax payable by the flour miller if the tax rate is 5%?

- A. \$ 7.50
- B. \$ 3.25
- C. \$ 2.25
- D. \$ 0.75

Which of the following is **not** a strong basis for trade unions' demand for higher wages? The

- A. company is making higher profit.
- B. productivity of the workers has increased.
- C. members of the union have high qualifications.
- D. commodity produced by the workers is very essential.

The difference between the Gross Domestic Product (GDP) and Gross National Product (GNP) is

- A. depreciation.
- B. transfer payment.
- C. net income from abroad.
- D. direct taxes.

Location of firms of an industry is **not** influenced by

- A. availability of raw materials.
- B. existence of other firms.
- C. nearness to the source of money supply.
- D. government policy.

In national income accounting, the term *net* is used to indicate that a value

- A. includes income of foreigners.
- B. excludes income of citizens.
- C. includes depreciation.
- D. excludes depreciation.

Turn over

34. Which of the following **best** describes token money?
- Money in the vaults of commercial banks
 - Currency and coins in circulation
 - Money with face value higher than its material content
 - Coins and notes made of poor quality materials
35. An industry is **best** described as
- a firm that sells a set of closely related commodities.
 - a factory that produces different lines of products.
 - a group of firms that sell a closely related set of products.
 - industrial concern that is into production and selling of goods.
36. In developing countries, a larger percentage of the labour force is employed in the
- trade sector.
 - tertiary sector.
 - primary sector.
 - secondary sector.
37. The main item traded on a stock exchange market is
- treasury bills.
 - traveller's cheque.
 - foreign currencies.
 - new shares.
38. The proportion of commercial banks' total assets kept in the form of highly liquid assets is known as
- demand deposit.
 - fixed deposit.
 - cash ratio.
 - moral suasion.

EXPECTED REVENUE	
ITEMS	AMOUNT (\$m)
Rents and royalties	75.00
Company income tax	150.00
Customs and excise duties	300.20
Personal income tax	80.00
Fees and fines	60.80
Value added tax	100.00

Use the information in the table above to answer questions 39 and 40.

39. What is the total revenue from indirect taxes?
- \$ 686.00 m
 - \$ 400.20 m
 - \$ 135.80 m
 - \$ 100.00 m
40. What is the total revenue from non-tax sources?
- \$ 400.20 m
 - \$ 375.20 m
 - \$ 135.80 m
 - \$ 75.00 m
41. Which of the following is **not** an objective of economic planning?
- Need to direct economic development of the country towards the desired direction
 - Desire to ensure a sustained structural development of the country
 - Desire to widen the gap between developing countries and the developed world
 - Management of scarce resources in the face of unlimited wants of the citizens

In order to control inflation, the government should

- A. reduce the cost of borrowing.
- B. buy securities in the open market.
- C. adopt restrictive monetary policy.
- D. discourage savings.

When the demand for foreign exchange exceeds its supply, the value of the domestic currency

- A. appreciates.
- B. depreciates.
- C. remains unchanged.
- D. expands.

The exports of West African countries are mainly composed of

- A. services.
- B. raw materials.
- C. manufactured goods.
- D. consumer goods.

A conscious effort of government to achieve a specific set of goals is

- A. economic planning.
- B. economic development.
- C. economic growth.
- D. economic target.

A country has favourable terms of trade when the prices of her

- A. exports rise relative to the prices of imports.
- B. exports fall relative to the prices of imports.
- C. imports rise faster than the prices of exports.
- D. imports and exports move in the same direction.

The abolition of all forms of trade barriers among member countries but maintaining common external tariffs against non-members is a feature of a

- A. free trade.
- B. customs union.
- C. common market.
- D. economic union.

In order to correct adverse balance of payment problems, government should

- A. reduce tariffs.
- B. increase subsidies on exports.
- C. increase tax on local industries.
- D. reduce personal income tax.

Which of the following is a benefit a member country can derive from the World Bank?

- A. Easy access to long term loans
- B. Management of foreign exchange
- C. Mediation of labour disputes
- D. Financing balance of payments deficit

Which of the following is an objective of OPEC? To

- A. prevent fluctuation in prices of all commodities
- B. protect the economic interest of all countries
- C. control the level of output of oil
- D. discover oil in all countries

END OF PAPER