

2015 SENIOR SCHOOL CERTIFICATE EXAMINATION PAPER I OBJECTIVE TEST

1. Economics is regarded as a science because it
 - A. studies laws that govern human behaviour
 - B. uses scientific method 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 possibilities 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. Hoarding of goods
 - C. Low retail prices
 - D. High retail prices
7. If the price of flour rises, then bread's
 - A. demand curve will shift to the left while supply curve will shift to the right.
 - B. supply curve will shift to the left

- C. supply curve will shift to the right
 - D. demand curve will shift to the right while supply curve remains unchanged.
8. Which of the following is not a reason for abnormal demand?
- A. Price of the commodity
 - B. Goods of ostentation
 - C. Giffen goods
 - D. Rare commodity
9. Increase in production subsidies will shift
- A. the demand curve to the left
 - B. the supply curve to the right
 - C. both the supply and demand curves to the left
 - D. the supply curve to the right
10. The market supply curve slopes upwards from left to right indicating that
- A. producers pay high taxes
 - B. two commodities can be supplied at the same time
 - C. at a lower price, less is supplied
 - D. at a lower price, more is supplied and demanded
11. Governmental intervention will increase if tax revenue is needed on goods with
- A. perfectly elastic demand
 - B. fairly elastic demand
 - C. perfectly inelastic demand
 - D. unitary elastic demand
12. If a given change in price brings about a proportionately larger change in quantity demanded, then
- A. demand is relatively price elastic
 - B. demand is relatively price inelastic
 - C. price elasticity of demand is unitary
 - D. price elasticity of demand is constant
13. If the price of commodity Z falls and a consumer buys less of it, then commodity Z is
- a
 - A. necessity
 - B. good of ostentation
 - C. Giffen good
 - D. normal good

14. In order to calculate total utility (TU) from given levels of marginal utility (MU), one has to
- A. subtract MU from TU
 - B. add MU from the various levels
 - C. multiply MU by the initial TU
 - D. divide current MU by previous MU
15. Which of the following will not affect the market price of a commodity?
- A. Increase in demand
 - B. Changes in tastes
 - C. Intersection of demand and supply
 - D. Increase in supply
16. All the following are methods of determining prices except
- A. maximum pricing
 - B. rationing
 - C. minimum pricing
 - D. auctioning
17. The law of diminishing returns relates to
- A. total utility
 - B. average utility
 - C. total product
 - D. marginal product
18. By adding all the marginal products at each level of employment of the variable input, we obtain a value equal to
- A. average product
 - B. total product
 - C. average variable cost
 - D. total cost
19. Total cost is obtained by
- A. adding up the marginal cost at each level
 - B. dividing the total cost by output at each level
 - C. adding up the average variable cost at each level
 - D. adding up the average variable cost at each level
20. Which of the following cost curves is not U-shaped?
- A. marginal cost curve
 - B. average fixed cost curve

- C. average total cost curve
- D. average variable cost curve

21. Which of the following business organizations is likely to experience disagreements between management and shareholders?

- A. Co-operative society
- B. Sole trader
- C. Partnership
- D. Joint-stock company

22. Which of the following is not a method of controlling monopoly?

- A. Preventing mergers
- B. Indigenization
- C. Privatization
- D. Imposing high profit tax

23. Which of the following features distinguishes a public limited company from a private limited company?

- A. Perpetual existence
- B. Limited liability
- C. Legal entity
- D. Sale of shares to the public

24. Inflation may occur if there is

- A. excess supply over demand
- B. increase in productivity
- C. excessive demand with limited supply
- D. increased government spending in a depressed economy

25. Frictional unemployment occurs when

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

26. 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

27. 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 help from financial institutions
 - D. it is not the only source of raw materials for agro-based industries.
28. 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
29. Ten 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
30. Which of the following is not a strong basis for a trade union's demand for higher wages?
- A. The company is making higher profits
 - B. Productivity of the workers has increased
 - C. Members of the union have high qualifications
 - D. The commodity produced by the workers is very essential
31. 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
32. Location of firms or 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

33. 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
34. Which of the following best describes token money?
- A. Money in the vaults of commercial banks
 - B. Currency and coins in circulation
 - C. Money with face value higher than its material cost
 - D. Coins and notes made of poor quality materials
35. An industry is best described as
- A. a firm that sells a set of closely related commodities
 - B. a factory that produces different lines of products
 - C. a group of firms that sell a closely related set of products
 - D. an 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
- A. trade sector
 - B. tertiary sector
 - C. primary sector
 - D. secondary sector
37. The main item traded on a stock exchange market is
- A. bills
 - B. travellers' cheques
 - C. foreign commodities
 - D. new shares
38. The proportion of commercial banks' total assets kept in the form of highly liquid assets is known as
- A. demand deposit
 - B. fixed deposit
 - C. cash ratio
 - D. moral suasion

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

Item	Amount (\$)	Revenue Source
Item 1: Sales Tax	200.00	Indirect Tax
Item 2: VAT	150.00	Indirect Tax
Item 3: Excise Duty	250.00	Indirect Tax
Item 4: Fees for Services	100.00	Non-Tax Source
Item 5: Fines	75.00	Non-Tax Source
Item 6: License Fees	50.00	Non-Tax Source

39. What is the total revenue from indirect taxes?

- A. \$686.00m
- B. \$400.20m
- C. \$135.50m
- D. \$100.00m

40. What is the total revenue from non-tax sources?

- A. \$400.20m
- B. \$375.20m
- C. \$135.50m
- D. \$75.00m

41. Which of the following is not an objective of economic planning?

- A. Need to direct economic development of the country towards the desired direction
- B. Desire to ensure a sustained structural development of the country
- C. Desire to widen the gap between developing countries and the developed world
- D. Management of scarce resources in the face of unlimited wants of the citizens

42. 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

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

- A. appreciates
 - B. depreciates
 - C. remains unchanged
 - D. expands
44. The exports of West African countries are mainly composed of
- A. services
 - B. raw materials
 - C. manufactured goods
 - D. consumer goods
45. A conscious effort by government to achieve a specific set of goals is
- A. economic planning
 - B. economic development
 - C. economic growth
 - D. economic target
46. A country has favourable terms of trade when the prices of
- 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.
47. The abolition of all forms of trade barriers among member countries while maintaining common external tariffs against non-members is a feature of a
- A. free trade
 - B. customs union
 - C. common market
 - D. economic union
48. In order to correct adverse balance of payments problem, government should
- A. reduce tariffs
 - B. increase subsidies on exports
 - C. increase tax on local industries
 - D. reduce personal income tax
49. Which of the following is a benefit to a member country of the World Bank?
- A. Easy access to long-term loans
 - B. Management of foreign exchange
 - C. Mediating in labour disputes
 - D. Financing balance of payments deficit

50. Which of the following is an objective of OPEC?
- 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
-

2015 OBJECTIVE TEST SOLUTIONS

- 1. B
- 2. C
- 3. C
- 4. B
- 5. A
- 6. A
- 7. A
- 8. A
- 9. B
- 10. A
- 11. C
- 12. A
- 13. D
- 14. B
- 15. B
- 16. D
- 17. A
- 18. B
- 19. D
- 20. B

21. D

22. C

23. D

24. C

25. B

26. C

27. C

28. C

29. B

30. D

31. C

32. B

33. D

34. D

35. C

36. B

37. D

38. A

39. B

40. C

41. C

42. C

43. B

44. B

45. A

46. A

47. B

48. B

49. A

50. C

2015 PAPER 2 THEORY SECTION A

1. The total fixed cost (TFC) and total cost (TC) functions of a hypothetical firm are shown in the graph. Study it and answer the questions that follow:
 - (a) Determine the firm's:
 - (i) variable cost at output levels 2, 4 and 6;
 - (ii) average total cost at output levels 2 and 3;
 - (iii) marginal cost at output levels 4 and 6.
 - (b) If the price of the firm's product is \$40, calculate the firm's profit or loss when the following units are sold:
 - (i) 2 units;
 - (ii) 4 units.
2. The table below shows the incomes and rates of income tax levied on four professionals in an economy.

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

3. Use the above data to answer the questions that follow:
 - (a) Calculate the disposable incomes of the four individuals.
 - (b) What system of taxation was employed?
 - (c) Give reasons for your answer in 2(b).
 - (d) With the aid of a diagram, explain the system of taxation employed in 2(b).

SECTION B

3. (a) What is a trade union?
 (b) Describe any four functions of trade unions.
 (c) Outline any two weapons used by trade unions to achieve their objectives.
4. (a) Outline any four objectives of a price control policy.
 (b) Highlight any four effects of a maximum price control policy.
5. (a) What are infant industries?
 (b) State any four reasons for protecting infant industries.
 (c) Outline any three ways by which industries can be financed in West Africa.
6. (a) What is balance of payments disequilibrium?
 (b) Explain the two types of balance of payments disequilibrium.
 (c) Highlight any four reasons most West African countries are experiencing balance of payments problems.
7. (a) What is deflation?
 (b) Outline any three positive effects of deflation.
 (c) Explain the ways by which inflation affects any three functions of money.
8. (a) What is a protective tariff?
 (b) Outline any four reasons in favour of protective tariff.
 (c) State any two reasons against protective tariff.

2015 PAPER 1 THEORY SOLUTIONS SECTION A

1. (a)
 - (i) Variable Cost (VC) = Total Cost - Fixed Cost
 At level 1: Total cost (\$100) - Total Fixed Cost (\$40) = \$100 - \$40 = \$60
 At level 4: VC = \$140 - \$40 = \$100
 At level 6: VC = \$180 - \$40 = \$140
 - (ii) Average Total Cost (AC) = Total Cost / Output
 At level 2: AC = \$100 / 2 = \$50
 At level 3: AC = \$120 / 3 = \$40
 - (iii) Marginal Cost (MC) = change in total cost / change in output
 At level 4: MC = (\$120 - \$100) / (4 - 3) = \$20
 At level 6: MC = (\$180 - \$160) / (6 - 5) = \$20
- (b)
 - (i) If the price were \$40:

Total Revenue (TR) = Output × Price

Profit or Loss = TR - Total Cost

At level 2: TR = \$40 × 2 = \$80

Profit or Loss = \$80 - \$100 = -\$20 (the firm made a loss of \$20)

(ii) At level 4:

TR = \$40 × 4 = \$160

Profit or Loss = \$160 - \$140 = \$20 (the firm made a profit of \$20)

2. (a)

Doctor: tax = \$8,000 × (10 / 100) = \$800

Doctor's disposable income = \$8,000 - \$800 = \$7,200

Engineer: tax = \$7,000 × (12 / 100) = \$840

Engineer's disposable income = \$7,000 - \$840 = \$6,160

Civil Servant: tax = \$6,000 × (18 / 100) = \$1,080

Civil Servant's disposable income = \$6,000 - \$1,080 = \$4,920

Nurse: tax = \$6,000 × (15 / 100) = \$900

Nurse's disposable income = \$6,000 - \$900 = \$5,100

(b) The system of tax employed was regressive.

(c) The regressive tax is the system of tax in which the rate of tax reduces as income increases. From the calculations above, the highest earner (Doctor) has the lowest tax rate but the highest income.

(d) The diagram below describes the relationship between the tax rate and income. As income increases (from Civil Servant to Doctor), tax rate decreases.

3. (a) A trade union is an organized body of persons or employees who belong to the same trade or similar occupations in order to improve the welfare of their members. Trade unions often use the threat of strike actions, collective bargaining, etc., to obtain increased demand and improved working conditions for their members.

(b) Functions of Trade Unions:

(i) They educate their members on policies and programmes of the government that are affecting them.

(ii) They constantly agitate for increased wages for their members and other fringe benefits.

(iii) They strive to improve the working conditions of their members.

(iv) They organize workshops, seminars, and enlightenment programmes to ensure that their members are properly informed and updated.

(c) Weapons used by Trade Unions to achieve their objectives are:

- (i) Negotiations;
- (ii) Work to rule;
- (iii) Industrial action;
- (iv) Picket lines;
- (v) Threat of strike.

4. (a) Objectives of Price Control Policy:

- (i) To protect producers from fluctuations in income.
- (ii) To protect consumers from exploitation by producers and middlemen.
- (iii) To control inflation.
- (iv) To protect small-scale producers from the exploitative attitude of middlemen.
- (v) To prevent price fluctuations.
- (vi) To control excessive profits of some companies, especially monopolies.

(b) Effects of Maximum Price Control Policy:

- (i) Hoarding;
- (ii) Smuggling;
- (iii) Existence of black markets;
- (iv) Rationing of goods;
- (v) Excessive demand over supply (inflation);
- (vi) Change in production lines.

5. (a) Infant industries are newly-established or underdeveloped industries. They are just in the developing stage; therefore, their products will not be able to compete with those of their counterparts in the developed world.

(b) Reasons for protecting Infant Industries:

- (i) To allow their growth to maturity;
- (ii) To develop import-substitutes in the local economy;
- (iii) To provide employment for the citizens;
- (iv) To promote locally manufactured goods towards achieving favourable balance of payments.

(c) Ways by which industries can be financed in West Africa:

- (i) Provision of adequate but improved economic and social infrastructures;
- (ii) Making capital readily available for promoters of industries;
- (iii) Tax reduction or tax concession;
- (iv) Creating subsidies where necessary in order to boost capital;
- (v) Consistent and stable economic policies to attract foreign investment.

6. (a) Balance of payments disequilibrium occurs when the total payments of a country on its imports on the combined current and capital accounts do not equal its receipts from its exports. This unequal balance may be deficit or surplus.
- (b) Types of Balance of Payments Disequilibrium:
- (i) Short-Term Balance of payment disequilibrium: This is when the balance of payment disequilibrium is only for a short while.
- (ii) Long-Term Balance of payment disequilibrium: This is when the balance of payment disequilibrium is chronic or for a longer period, that is, a persistent deficit or surplus in balance of payments.

(c) Reasons why most West African countries are experiencing balance of payments problems:

- (i) Mono economy;
- (ii) High taste for foreign-made goods and services;
- (iii) Inflation;
- (iv) Low technology or poor implements in production;
- (v) Decline in export.

7. (a) Deflation is the persistent fall in the general price level of goods and services as a result of a decrease in the volume of money in circulation.

(b) Positive effects of deflation:

- (i) Fall in price of goods and services;
- (ii) It improves balance of payments as receipts from exports increase against payments on imports;
- (iii) Fixed income earners gain;
- (iv) Increase in the value of the local currency.

(c) Effects of inflation on the Functions of Money:

- (i) Store of Value: Since there is an increase in the value of money, the ability of money as a store of value is enhanced.
- (ii) Standard of Deferred Payment: In this manner, the lender gains more while the borrower loses because the borrowers had to pay more in terms of what was borrowed due to increase in the value of money.
- (iii) Money encourages division of labour: Due to specialization, division of labour is encouraged whereby money is used as payment for labour (wages). Wage earners gain more due to increase in the scale of money earned.

8. (a) A protective tariff is a form of tariff imposed by the government of a country to avoid dumping, protect infant industries, and reduce dependence on foreign-made goods and services.

(b) Reasons in favour of protective tariff:

(i) To prevent the importation of dangerous goods;

(ii) To correct balance of payments deficit;

(iii) To protect infant industries;

(iv) To improve the standard of living.

(c) Reasons against protective tariff:

(i) Discouragement of foreign direct investment;

(ii) Destroys competition of locally made goods with foreign substitutes;

(iii) It denies consumers their freedom of choice.

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