

Answer **five** questions in all: **one** question **only** from section A and any **four** questions from section B. You are reminded of the importance of clarity of expression and orderly presentation of relevant material.

All questions carry equal marks.

SECTION A

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

1. Study the following extract and answer the questions that follow.

'The government of the People's Republic of Katanga spent two hundred thousand and fifteen dollars (\$ 200,015.00) on goods and services. The households spent thirteen thousand and twenty five dollars (\$ 13,025.00) on consumption of goods and services. Two thousand and fifty dollars (\$ 2,050.00) was spent on capital goods. Indirect taxes amounted to four hundred and fifty dollars (\$ 450.00) while subsidies accounted for one hundred and fifty dollars (\$ 150.00).

- (a) Present the information contained in the above extract on a table of National Income Accounts for the People's Republic of Katanga. [6 marks]
- (b) Determine the national income of the country. [4 marks]
- (c) If the population of the country was 30,000, calculate the per capita income for the country. [4 marks]
- (d) (i) What method was used in estimating the national income? [2 marks]
(ii) State any **two** problems associated with the method used in (d) (i). [4 marks]

2. The table below indicates the schedule of total utility for bottles of Coca-cola consumed by Mr. K.

Study the table carefully and answer the questions that follow.

Bottles of Coca-cola	Total Utility
1	16
2	26
3	33
4	38
5	40
6	41

- (a) Calculate the *average utility* and *marginal utility* for **each** level of consumption. [6 marks]
- (b) Draw the *total utility* and the *marginal utility* curves. [10 marks]
(Use of graph sheet is essential)
- (c) State the law of *diminishing marginal utility*. [4 marks]

SECTION B

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

3. (a) Why is *scarcity* a fundamental problem in Economics? [6 marks]
- (b) Give **one** reason **each** why Economics is a
- (i) science; [3 marks]
- (ii) social science. [3 marks]
- (c) How do governments solve the problem of scarcity? [8 marks]
4. (a) Distinguish between the following pairs of cost concepts:
- (i) Fixed cost and variable cost; [5 marks]
- (ii) Real cost and money cost; [5 marks]
- (iii) Implicit cost and explicit cost. [5 marks]
- (b) (i) What would you recommend to a firm whose average variable cost is greater than its price? [2 marks]
- (ii) Give a reason for your answer in (b) (i). [3 marks]
5. (a) Explain the *sole proprietorship* form of business. [4 marks]
- (b) Give **four** reasons for the increase in the number of sole proprietorship forms of business in your country. [16 marks]
6. (a) Who is a *wholesaler*? [5 marks]
- (b) Give **five** reasons why some manufacturers bypass the wholesalers in the distribution of their products. [15 marks]
7. (a) With the aid of a diagram explain the effects of fixing a price
- (i) above the equilibrium price; [5 marks]
- (ii) below the equilibrium price. [5 marks]
- (b) (i) What is an *abnormal demand*? [4 marks]
- (ii) Give **two** reasons for the occurrence of abnormal demand. [6 marks]
8. (a) Explain any **four** functions of a trade union. [12 marks]
- (b) With the aid of a diagram, outline any **two** effects of a union-induced wage rate above the equilibrium level. [8 marks]
9. (a) What is a *money market*? [5 marks]
- (b) Describe any **three** instruments used in the money market. [15 marks]

Turn over

10. (a) Distinguish between *direct taxes* and *indirect taxes*. [8 marks]
(b) Outline any **four** principles of taxation. [12 marks]
11. (a) What is
(i) devaluation; [4 marks]
(ii) depreciation of currency? [4 marks]
(b) Outline **three** measures that can be adopted to correct balance of payments deficits. [12 marks]
12. (a) Trace the development of the African Development Bank (A.D.B.). [8 marks]
(b) Give **three** reasons for the establishment of the African Development Bank (A.D.B.). [12 marks]

DO NOT TURN OVER THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

**YOU WILL BE PENALIZED SEVERELY IF YOU ARE
FOUND LOOKING AT THE NEXT PAGE BEFORE
YOU ARE TOLD TO DO SO.**

PAPER 1

50 minutes

OBJECTIVE TEST

[50 marks]

- Use 2B pencil throughout.
- On the pre-printed answer sheet, check that the following details are **correctly** printed:
 - In the space marked *Name*, check your **surname** followed by your **other names**.
 - In the spaces marked *Examination*, *Year*, *Subject* and *Paper*, check 'W.A.S.S.C.E. November', '2008', 'ECONOMICS', and '1' in that order.
 - In the box marked *Index Number*, your **index number** has been printed vertically in the spaces on the left-hand side, and each numbered space has been shaded in line with each digit. **Reshade** each of the shaded spaces.
 - In the box marked *Subject Code*, the digits 203112 are printed vertically in the spaces on the left-hand side. **Reshade** the corresponding numbered spaces as you did for your index number.
- An example is given below. This is for a male candidate whose *name* is Tahiru Teye AMOAKO. His *index number* is 7102143958 and he is offering *Economics* 1.

THE WEST AFRICAN EXAMINATIONS COUNCIL

ANSWER SHEET

PRINTED IN BLOCK LETTERS.		GHA
Name:	AMOAKO TAHIRU TEYE	
Examination:	W.A.S.S.C.E. November	Year: 2008
Subject:	ECONOMICS	Paper: 1

INSTRUCTIONS TO CANDIDATES

- Use grade 2B pencil throughout.
- Answer each question by choosing one letter and shading it like this: ☐ A ☐ B ☐ C ☐ D ☐ E
- Erase completely any answer you wish to change.
- Leave extra spaces blank if the answer spaces provided are more than you need.
- Do not make any markings across the heavy black marks at the right hand edge of your answer sheet.

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For Supervisors only

If candidate is absent
shade this space☐

Answer **all** the questions.

Each question is followed by **four** options lettered A to D. Find 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(s) you wish to change.

Do all rough work on this question paper.

Now answer the following questions.

1. The problem of humanity has always been that its wants
 - A. cannot be prioritized.
 - B. are unlimited.
 - C. are scarce.
 - D. can only be produced technologically.
2. *Opportunity cost* in economics implies that a person
 - A. has the chance to minimize costs.
 - B. has to forgo one thing in order to have another.
 - C. can equate his fixed costs with his variable costs.
 - D. is able to run his business efficiently.
3. A three-sector economy is made up of households, firms and
 - A. government.
 - B. capital.
 - C. labour.
 - D. entrepreneur.
4. Which one of the following is a tool of economic analysis?
 - A. Costs
 - B. Graphs
 - C. Concepts
 - D. Theories
5. The **most** frequently occurring value in a given data is the
 - A. mode.
 - B. mean.
 - C. median.
 - D. range.
6. Which of the following is classified under primary activity?
 - A. Manufacturing
 - B. Insurance
 - C. Fashion designing
 - D. Fishing

7. A benefit of large-scale production to a firm is that
- there is rise in advertising expenditure.
 - consumers receive a share of the profits.
 - the firm can use labour-saving machinery.
 - demand for the firm's products becomes localized.
8. An economic system exists to
- provide organizations needed to satisfy wants.
 - ensure that all people are treated equally.
 - give individuals the power to control the economy.
 - provide funds for investment.
9. The pursuit of profits and private ownership of property are common features of
- socialism.
 - individualism.
 - communism.
 - capitalism.
10. *Diminishing marginal utility* means that as more units of a good are purchased the
- benefit from an extra unit decreases.
 - benefit from an extra unit increases.
 - total benefits derived from the good decreases.
 - marginal benefit derived from the good is constant.
11. Which of the following is a variable cost to a firm?
- Payment for electrical fittings
 - Expenditure on machinery
 - Payment for raw materials
 - Rent on factory land
12. Average productivity per worker is the total output
- added to the number of workers.
 - divided by the number of workers.
 - subtracted from the number of workers.
 - multiplied by the number of workers.
13. The graph of the function $5q = 20 - P$ is a
- demand graph.
 - supply graph.
 - cost graph.
 - revenue graph.
14. *Change in quantity demanded* implies a
- shift in demand curve to the right.
 - shift in demand curve to the left.
 - movement along the same demand curve.
 - fall in price and quantity demanded.
15. The demand associated with labour is called
- joint demand.
 - derived demand.
 - composite demand.
 - competitive demand.

16. An inferior good is a commodity whose demand
- falls as income increases.
 - remains constant as income increases.
 - rises as income increases.
 - remains constant as income falls.
17. Commodities which are used for further production are known as
- final goods.
 - normal goods.
 - producer goods.
 - consumer goods.
18. The supply of a commodity is represented by the function $Q_s = 35 + \frac{3}{4}P$. At a supply level of 50 units the price of the commodity in dollars is
- 9.
 - 12.
 - 20.
 - 35.
19. The *backward bending labour supply curve* means that
- as wage rate increases, the quantity of labour supplied rises.
 - as wage rate increases, the quantity of labour supplied falls.
 - the quantity of labour supplied has reached a maximum.
 - the quantity of labour demanded increases.
20. Supply is elastic when the coefficient is
- zero.
 - negative.
 - greater than one.
 - less than one.
21. Price control aimed at protecting consumers is fixed
- at demand price.
 - below equilibrium.
 - at supply price.
 - above equilibrium.
22. *Labour force* is the
- total population less the number of old people.
 - total population less the number of children.
 - adult population.
 - working population.
23. One of the ways of discouraging rural-urban drift is to
- establish higher institutions of learning in the cities.
 - provide the rural areas with infrastructures.
 - establish capital markets in large towns.
 - improve facilities in the cities.
24. Unemployment due to physical disability is referred to as
- cyclical unemployment.
 - residual unemployment.
 - frictional unemployment.
 - structural unemployment.

25. One of the economic consequences of increase in the dependent population is that it
- increases the standard of living.
 - makes the per capita income static.
 - makes the working population less productive.
 - reduces the per capita income.
26. If output more than doubles when input is doubled, the firm is said to be experiencing
- returns to scale.
 - normal profit in production.
 - increasing returns to scale.
 - constant returns to scale.
27. Industrialization will be encouraged by the level of
- trade union activities.
 - unemployment.
 - co-operation.
 - savings and investment.
28. One of the **major** criticisms against the middleman is that of
- excessive profiteering.
 - delaying production activities.
 - misinforming consumers about the qualities of their goods.
 - bridging the gap between the producer and the consumer.
29. The problems militating against the smooth distribution of goods in West Africa include
- poor transport facilities.
 - effective price monitoring.
 - provision of storage facilities.
 - inadequate demand for essential commodities.
30. Subsidy may become necessary when the supply of a commodity is
- elastic.
 - adequate.
 - insufficient.
 - indeterminable.
31. A business unit organized for the mutual benefits of members with similar interests is known as a
- co-operative society.
 - public corporation.
 - limited liability company.
 - partnership.
32. Who performs the risk-bearing function of the entrepreneur in a public limited company? The
- government.
 - leaders.
 - workers.
 - shareholders.
33. Dividend paid by public limited companies is based on
- patronage.
 - price of the share.
 - profit declared.
 - the rate of turnover.

Turn over

34. A higher proportion of West African labour force is engaged in the agricultural sector because the
- agricultural sector is the highest contributor of foreign exchange.
 - agricultural sector provides raw materials for industries.
 - economy is relatively under-developed.
 - income in the agricultural sector is high.
35. Which of the following should a monopolist do to increase his sales?
- Move to another market
 - Increase supply
 - Reduce expenditure
 - Lower price
36. The desire to hold money to meet unexpected occurrences is the
- future motive.
 - precautionary motive.
 - transaction motive.
 - speculative motive.
37. Central banks in British West Africa were preceded by
- co-operative banks.
 - rural banks.
 - currency board.
 - mortgage banks.
38. West African countries collect taxes because
- the prices of commodities are rising.
 - people tend to hold more money.
 - individuals prefer leisure to work.
 - of the need to finance public projects.
39. The budget for the payment of workers' salaries is
- recurrent budget.
 - annual budget.
 - capital budget.
 - supplementary budget.
40. Revenue will increase by taxing commodities whose elasticity of demand is
- infinite.
 - inelastic.
 - elastic.
 - unitary.
41. Consumption is **mainly** determined by the size of the
- market.
 - firm.
 - labour force.
 - income.
42. It is necessary to estimate the national income of a country because it
- indicates the overall performance of the economy.
 - ensures equitable distribution of wealth.
 - assists investors to earn more profits.
 - enables governments to generate revenue efficiently.

43. Which of the following will be included in the national income estimate?
- A. Grants to students
 - B. Services of housewives
 - C. A house built and occupied by the owner
 - D. Remittances to one's parents
44. Appreciable increase in per capita income reveals that the standard of living is
- A. low.
 - B. average.
 - C. rising.
 - D. constant.
45. Economic planning is undertaken **mainly** to promote
- A. inflation.
 - B. unemployment.
 - C. foreign investment.
 - D. rapid development.
46. One of the characteristics of developing countries is
- A. high technology.
 - B. high illiteracy.
 - C. general affluence.
 - D. adequate infrastructure.
47. Net export is a positive figure when a country's
- A. stock of goods is declining.
 - B. imports exceed exports.
 - C. imports are adjusted upwards.
 - D. exports exceed imports.
48. The official reduction in the value of a country's currency in relation to other foreign currencies is called
- A. over-valuation.
 - B. under-valuation.
 - C. devaluation.
 - D. revaluation.
49. Balance of payments comprise
- A. three interrelated accounts.
 - B. four interrelated accounts.
 - C. seven interrelated accounts.
 - D. ten interrelated accounts.
50. The International Monetary Fund (IMF) has its headquarters in
- A. Nigeria.
 - B. Ghana.
 - C. United States of America.
 - D. Japan.

END OF PAPER

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