

# JOINT UNIVERSITIES PRELIMINARY EXAMINATIONS BOARD

## 2015 EXAMINATIONS

### ECONOMICS - MSS – J133

#### MULTIPLE CHOICE QUESTIONS

1. The fundamental problem of economics is
  - A. The establishment of a political framework to determine the what, how and for whom of production
  - B. To establish an equitable distribution of income
  - C. The scarcity of productive resources relative to society's unlimited wants
  - D. Finding striking determinants between the forces of supply and demand.
  
2. Economic problem occurs when
  - A. There is scarcity relative to demand
  - B. There are no buyers for our goods
  - C. Many people are out of work
  - D. All raw materials are imported
  
3. Economic goods are termed scarce goods when they are
  - A. Not available in sufficient quantities to satisfy effective demand for them
  - B. Not produced in sufficient quantities to satisfy effective demand for them
  - C. Of high quality
  - D. Of primary importance in satisfying the needs of a society.
  
4. The demand for a good is price inelastic if
  - A. The price elasticity is one
  - B. The price elasticity is less than one
  - C. The price elasticity is greater than one
  - D. The price elasticity is negative
  
5. The type of unemployment that occurs when an individual cannot find job as a result of obsolete skill is
  - A. Frictional unemployment
  - B. Structural unemployment
  - C. Cyclical unemployment
  - D. Seasonal unemployment

6. An increase in total production (real GDP) causes the demand for money to \_\_\_\_\_ and the

interest rate to \_\_\_\_\_.

- A. Increase; increase
- B. Increase; decrease
- C. Decrease; decrease
- D. Decrease; increase

7. The theory of consumption which argues that consumption is based on a household's long-run

estimate of their income is called the

- A. Relative income hypothesis
- B. Duesenberry theory
- C. Permanent income hypothesis
- D. Life-cycle hypothesis

8. The term 'investment' in macroeconomics means

- A. The total amount of capital goods in the country
- B. Total amount of money invested in bonds and stocks
- C. Profit
- D. The production of goods for immediate consumption.

9. The "velocity" of money is

- A. The money supply multiplied by the price level
- B. The real money supply divided by the real GDP
- C. The ratio of real GDP to the real money supply
- D. The money supply divided by the price level.

10. The theory of ..... was propounded by .....

- A. Absolute advantage; David Ricardo
- B. Absolute advantage; Adam Smith
- C. Comparative advantage; Adam Smith
- D. Comparative advantage; Mercantilists.

11. A ..... in the price of the domestic currency in terms of a foreign currency is referred to as .....

- A. Decrease, depreciation
- B. Decrease, appreciation

- C. Increase, de-appreciation
  - D. Increase, consolidation.
12. A major factor contributing to productivity is
- A. The labour force
  - B. The rate of GDP per year
  - C. The baby boom of generation
  - D. Immigration of young workers
13. One major problem facing West African countries is
- A. Relations with Colonial Masters
  - B. Political integration
  - C. Joint Military operations in Member States
  - D. Financial crunch of Member States.
14. Among all the determinants of economic growth, the most important one is
- A. Land and Natural resources
  - B. Human capital
  - C. Technologies
  - D. Increased GDP
15. The demand for money will fall if
- A. Real GDP rises
  - B. Real interest rates rise
  - C. The GDP deflator rises
  - D. People expect deflation soon
16. Which of the following is an example of expansionary monetary policy by the Central Bank of Nigeria?
- A. Increasing the discount rate
  - B. Increasing the reserve ratio
  - C. Buying Treasury securities from commercial banks
  - D. Lowering income taxes.
17. Part-time workers who desire full-time employment are:
- A. Underemployed and contribute to the unemployment statistic.
  - B. Underemployed but do not contribute to the unemployment statistic.
  - C. Not part of the labour force and do not contribute to the unemployment statistic.
  - D. Cyclical unemployment
- 18..... is the highest body in ECOWAS organogram
- A. Authority of Head of State and Government
  - B. Council of Ministers

- C. The Defence Council
- D. The Executive Secretariat.

19. Money could be defined as

- A. Medium of exchange
- B. Medium of payment
- C. Settlement of debt
- D. Options A, B and C

20. The following are economic agents in any economy **EXCEPT**

- A. Government
- B. Household
- C. Firm
- D. Central Bank

21. Which of the following is not referring to the word economic?

- A. Is scarce.
- B. Is limited.
- C. Commands a price.
- D. Unlimited.

22. An increase in money income with constant price results in

- A. Inward parallel shift in the budget line.
- B. Outward shift in the budget line.
- C. Budget line remain constant.
- D. Options A and C

23. Which of the following is not concerned with macro economics?

- A. Aggregate level of outputs
- B. General level of prices
- C. Growth of real output
- D. Price of a commodity

24. The marginal propensity to consume is

- A.  $\frac{\Delta C}{\Delta Yd}$
- B. Coefficient c in the equation  $C = \dot{C} + cYd$
- C. The slope of the consumption function
- D. Options A, B and C

25. An industry is

- A. A group of firms producing differentiated products
- B. A group of firms producing distinct commodities
- C. A group of firms producing related goods
- D. A group of firms producing unrelated goods

26. The principle that specified that the amount, when and how to pay tax should made known to tax payer is known as
- A. Principle of convenience
  - B. Principle of economy
  - C. Principle of simplicity
  - D. Principle of certainty
27. Public corporation is financed with
- A. Tax payer's money
  - B. Capital raised from shareholders
  - C. Capital contributed by owners
  - D. Capital raised from stock exchange.
28. J. M. Keynes is the strong advocate of
- A. Monetary policy
  - B. Income policy
  - C. Fiscal policy
  - D. Options A, B and C.
29. If commodities X and Y are substitute, their cross elasticity of demand will be
- A. Positive
  - B. Zero
  - C. One
  - D. Negative.
30. Which of the following is an example of free good?
- A. Dinner you did not pay for.
  - B. Your rented apartment.
  - C. Free education.
  - D. Water in the ocean.
31. The type of price elasticity of demand for a commodity whose quantity demanded remain unchanged despite changes in the price is
- A. Inelastic
  - B. Perfectly inelastic
  - C. Infinitely elastic
  - D. Perfectly elastic
32. A rise in the naira per dollar exchange from say ₦157/\$1 to ₦160/\$1 means
- A. Naira has depreciated
  - B. Naira has appreciated
  - C. Naira has increased
  - D. Dollar has increased
33. ....is presently used in Nigeria to measure inflation

- A. Consumer price index
  - B. Wholesale price index
  - C. GNP implicit price deflator
  - D. Real Gross Domestic Product.
34. The short run can be defined as the period of time during which
- A. At least one of the firm's input is fixed
  - B. All inputs are variable
  - C. All inputs are fixed
  - D. At least two inputs are fixed
35. Real cost is
- A. Alternative commodities forgone
  - B. Cost of goods and services
  - C. Amount of money spent on goods and services
  - D. True cost
36. A tariff is a tax imposed on
- A. Imported goods
  - B. Exported goods
  - C. Domestic goods
  - D. Consumer goods
37. The income elasticity of demand is defined as the responsiveness of
- A. Quantity demanded to a change in price
  - B. Price to a change in income
  - C. Quantity demanded to a change in income
  - D. Price to a change in quantity
38. The development of an economic hypothesis through intuition, insight, or logic is associated with
- A. Induction
  - B. Deduction
  - C. Policy economics
  - D. Normative economics
39. Microeconomics is the study of
- A. The output of the entire economy
  - B. The total number of workers employed in Nigeria
  - C. The general level of prices in the Nigerian economy
  - D. The output and price of wheat in Nigeria.
40. Business cycle is associated with
- A. Inflation
  - B. Recession
  - C. Unemployment

D. Seasonal variation

41. An “innovator” is an entrepreneur who
- A. Makes basic policy decisions in a business firm
  - B. Combines factors of production to produce a good or service
  - C. Invents a new product or process for producing a product
  - D. Introduces new products on the market or employs a new method to produce a product.
42. The two kinds of agents found in the circular flow model are
- A. Real and money markets
  - B. Real and traditional markets
  - C. Money and authorization markets
  - D. Product and factor markets.
43. The law of supply states that, other things being constant, as price increases
- A. Supply increases
  - B. Supply decreases
  - C. Quantity supplied increases
  - D. Quantity supplied decreases.
44. Which of the following is a characteristic of competition?
- A. The widespread diffusion of economic power.
  - B. A small number of buyers in product markets.
  - C. Several sellers of all products.
  - D. The relatively difficult entry into and exit from industries by producers.
45. If a business’ total economic cost of producing 10,000 units of a product is N750,000 and this output is sold to consumers for N1,000,000, then the firm would earn
- A. A normal profit of N750,000
  - B. An economic profit of N750,000
  - C. An economic profit of N250,000
  - D. A normal profit of N1,750,000.
46. The part of income after tax that is not consumed is defined as
- A. Saving
  - B. Capital investment
  - C. Wages and salaries
  - D. Nondurable goods expenditure.
47. Government uses all of the following ways to redistribute income, except
- A. Transfer earnings
  - B. Market intervention
  - C. Limited liability
  - D. Taxation.
48. Which of the following nations is the world’s leading trading nation in terms of absolute volumes of imports and exports?

- A. Japan.
- B. China.
- C. Germany.
- D. United States

49. One of the potential problems with the European Union is that
- A. An unregulated free flow of labour and capital may reduce productivity
  - B. Economies of large scale production may increase consumer prices
  - C. Tariffs may reduce trade with non-member nations
  - D. Government may have difficulty covering the shortfall from the elimination of duties and taxes.
50. One major criticism of foreign aid to developing countries is that it
- A. Provides incentives for capital flight
  - B. Is capital using rather than capital saving
  - C. Encourages growth in government bureaucracy
  - D. Gives too much power and control to world bank.

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**ECONOMICS ESSAY QUESTIONS**

1. With reference to the relevant types of elasticity of demand, explain the terms  
(i) Inferior good; and **(7 Marks)**  
(ii) Complementary good. **(8 Marks)**
  
2. Discuss, with the aid of a demand and supply diagram, the effects on consumers and producers when the government introduces an indirect tax on a good. **(15 Marks)**
  
3. With the aid of appropriate diagrams, distinguish between cost-push inflation and demand-pull inflation **(15 Marks)**
  
4. Write short notes on the following:
  - (i) Floating exchange rate **(5 Marks)**
  - (ii) Currency depreciation **(5 Marks)**
  - (iii) Currency devaluation **(5 Marks)**
  
5. Explain the functions of money and its role in economic development. **(15 Marks)**
  
6.
  - a. Differentiate between Nominal GDP and Real GDP. **(5 Marks)**
  - b. Explain five reasons why it is important to measure a nation's income. **(10 Marks)**
  
7. Distinguish between the following pairs of economic concepts.
  - (i) Returns to scale and returns to size in production analysis
  - (ii) Consumer's surplus and producer's surplus

(iii) Average product and marginal product.

8. a. Differentiate between Economic Growth and Economic Development (5 Marks)
- b. List and explain FIVE major characteristics of a Less - Developed economy(10 Marks)