

<p>P2032 & 1 Nov. WASSCE 2011 ECONOMICS 2 & 1 Essay & Objective 3 hours 50 minutes</p>	2 & 1
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Name:

Index Number:

THE WEST AFRICAN EXAMINATIONS COUNCIL
West African Senior School Certificate Examination

November 2011

ECONOMICS 2 & 1

3 hours 50 minutes

Do not open this booklet until you are told to do so. While you are waiting, write your name and index number in the spaces provided at the top right-hand corner of this booklet and thereafter, read the following instructions carefully.

This booklet consists of two Papers. Answer Paper 2 which comes first, in your answer booklet and Paper 1 in your Objective Test answer sheet. Paper 2 will last for 3 hours after which the answer booklet will be collected. Do not start Paper 1 until you are told to do so. Paper 1 will last for 50 minutes.

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PAPER 2

ESSAY

3 hours

[100 marks]

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 materials.

All questions carry equal marks.

SECTION A

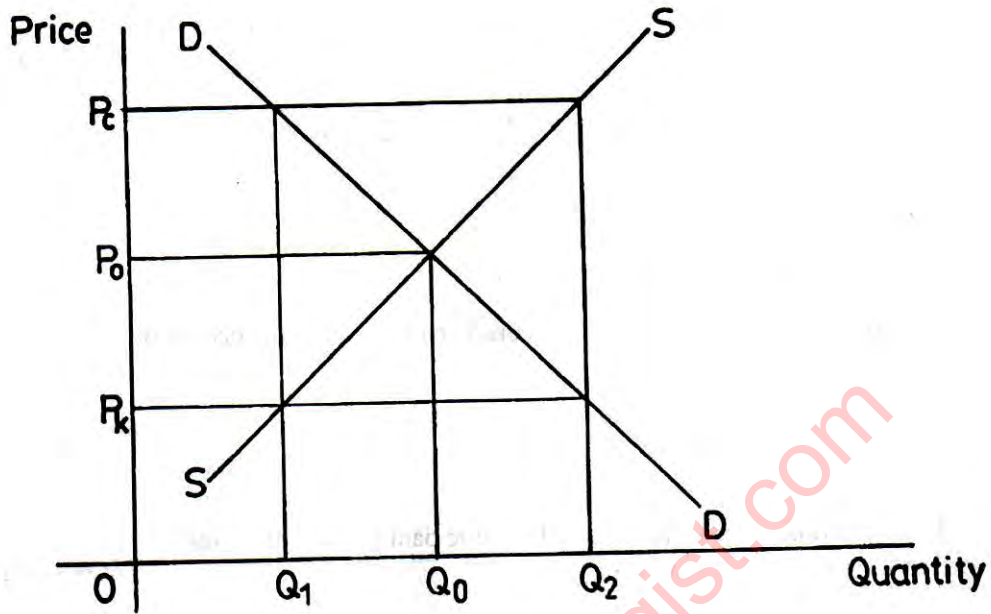
Answer one question only from this section

1. The cost function of a firm which produces plastic plates is shown in the table below. Use the information in the table to answer the questions that follow:

Output (in cartons)	Total Variable Cost (TVC)	Total Cost (TC)	Average Cost (AC)	Marginal Cost (MC)
0	—	100	—	—
1	250	350	350	—
2	450	P	275	200
3	575	675	R	125
4	600	700	175	25
5	675	Q	155	75
6	825	925	S	150

- (a) (i) What is *average fixed cost (AFC)*? [2 marks]
- (ii) Calculate the *average fixed cost* at output levels 1 to 6. [6 marks]
- (b) Calculate the values P, Q, R and S. [8 marks]
- (c) Why does the *average fixed cost* decline as output increases? [4 marks]

2. The diagram below represents the situation in a regulated market.
Use the diagram to answer the questions that follow:



- (a) What do P_0 and Q_0 represent? [2 marks]
- (b) What would you call the regulated price P_c ? Explain your answer. [3 marks]
- (c) What is Q_1Q_2 ? [2 marks]
- (d) What is P_k ? [2 marks]
- (e) In what circumstances would a commodity be sold at P_k ? [3 marks]
- (f) Name two commodities whose market situation can be represented by the diagram. [2 marks]
- (g) State three measures that can be taken to make the regulated price effective. [6 marks]

SECTION B

Answer four questions only from this section.

3. (a) Distinguish between *underemployment* and *disguised unemployment*. [4 marks]
- (b) Outline any four measures that can be adopted by the government of your country to solve the problem of unemployment. [16 marks]

4. (a) What are *producer goods*? [4 marks]
(b) Explain any **four** advantages of using capital in production. [16 marks]
5. (a) Define *supply*. [3 marks]
(b) With the aid of a diagram, explain what is meant by a *change in supply*. [8 marks]
(c) Explain any **three** factors that cause changes in supply. [9 marks]
6. (a) What is a *customs union*? [4 marks]
(b) Explain any **four** ways in which a customs union can speed up the economic growth of its members. [16 marks]
7. (a) What is *standard of living*? [4 marks]
(b) Highlight **four** problems in using national income data in comparing the standard of living between two countries. [16 marks]
8. (a) What is a *legal tender*? [4 marks]
(b) Describe any **four** attributes that an item must possess to act as a medium of exchange. [16 marks]
9. (a) Explain any **three** contributions of the agricultural sector to the economy of your country. [12 marks]
(b) Outline any **two** constraints on agricultural production in your country. [8 marks]
10. (a) What is the difference between the following terms?
(i) *ad valorem tax* and *specific tax*; [4 marks]
(ii) *a progressive tax* and *a regressive tax*. [4 marks]
(b) Give any **three** reasons why the government of your country imposes indirect taxes. [12 marks]
11. (a) Explain any **four** objectives of public finance. [12 marks]
(b) Give **two** reasons for the increase in government expenditure in your country in recent years. [8 marks]
12. (a) Outline any **three** achievements of the Organization of Petroleum Exporting Countries (OPEC). [12 marks]
(b) State any **two** problems facing the organization. [8 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.**

**WHILE YOU ARE WAITING, READ THE FOLLOWING
INSTRUCTIONS CAREFULLY.**

Paper 1
OBJECTIVE TEST

50 minutes

1. Use **HB pencil** throughout.
2. If you have got a blank answer sheet, complete its top section as follows.
 - (a) In the space marked *Name*, write in capital letters your **surname** followed by your **other names**.
 - (b) In the spaces marked *Examination, Year, Subject* and *Paper*, write 'WASSCE', '2011 NOV.', 'ECONOMICS' and '1' respectively.
 - (c) In the box marked *Index Number*, write your **index number** vertically in the spaces on the left-hand side. There are numbered spaces in line with each digit. Shade carefully the space with the same number as each digit.
 - (d) In the box marked *Paper Code*, write the digits **203112** in the spaces on the left-hand side. Shade the corresponding numbered spaces in the same way as for your index number.
 - (e) In the box marked *Sex*, shade the space marked **M** if you are male, or **F** if you are female.
3. If you have got a pre-printed answer sheet, check that the details are correctly printed, as described in 2 above. In the boxes marked *Index Number, Paper Code* and *Sex*, **reshade** each of the shaded spaces.
4. An example is given below. This is for a **male** candidate, whose name is **Chukwuma Adekunle CIROMA**, whose **index number** is **5251102068** and who is offering **Economics 1**.

THE WEST AFRICAN EXAMINATIONS COUNCIL

PRINT IN BLOCK LETTERS

Name: CIROMA CHUKWUMA ADEKUNLE Examination: WASSCE Year: 2011 NOV.
Surname Other Names

Subject: ECONOMICS Paper: 1

INDEX NUMBER	
5	0 1 2 3 4 5 6 7 8 9
2	0 1 2 3 4 5 6 7 8 9
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1	0 1 2 3 4 5 6 7 8 9
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For Supervisors only.
If candidate is absent shade this space:

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SEX	
Indicate your sex by shading the space marked M (for Male) or F (for Female) in this box: M F	
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INSTRUCTIONS TO CANDIDATES

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

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]



[C]

[D]

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 basic central economic problem is
 - A. opportunity cost.
 - B. choice.
 - C. misallocation of resources.
 - D. scarcity.

2. Land is a free gift of nature because
 - A. it belongs to all men.
 - B. it is controlled by the government.
 - C. it has cost man nothing to put it where it is.
 - D. man can live freely on land without any challenge.

3. The scale of preference shows a consumer's
 - A. opportunity cost.
 - B. unlimited wants.
 - C. demand for a commodity.
 - D. marginal utility.

4. Which of the following results in **greater** unequal distribution of income?
- A. Socialism
 - B. Communism
 - C. Feudalism
 - D. Capitalism
5. The market price of a commodity is determined by
- A. sellers alone.
 - B. buyers alone.
 - C. forces of demand and supply.
 - D. the level of productivity.
6. Goods meant for further production are called
- A. capital goods.
 - B. consumer goods.
 - C. durable goods.
 - D. perishable goods.
7. If a change in price leads to the same proportionate change in the quantity demanded of a commodity, demand is
- A. price inelastic.
 - B. price elastic.
 - C. perfectly price elastic.
 - D. unitary price elastic.

Use the frequency table below to answer questions 8 and 9.

Age (in years)	15	16	17	18	19	20
Frequency (f)	3	5	11	13	4	1

8. What is the **mode** of the distribution?
- A. 12
 - B. 17
 - C. 18
 - D. 22
9. What is the **median** of the distribution?
- A. 18
 - B. 17
 - C. 12
 - D. 11

Turn over

10. What happens to the demand for a commodity, if the price of its substitute falls? It
- fluctuates.
 - remains constant.
 - falls.
 - increases.
11. If the price elasticity of demand for a commodity is 8.5, it means that a
- fall in its price will increase total revenue.
 - rise in its price will increase total revenue.
 - fall in its price will decrease total revenue.
 - rise in its price will leave total revenue unchanged.
12. Mr. Joseph consumed three bottles of a soft drink consecutively. Which of the following statements is **not** correct?
- The total utility is a function of the number of units consumed.
 - The last unit consumed gave the least satisfaction.
 - Total satisfaction increased at a diminishing rate.
 - The first unit consumed gave the least satisfaction.
13. The overall quantity of a commodity produced with a given quantity of productive resources is called
- marginal product.
 - total product.
 - average product.
 - extra product.
14. The **oldest** form of business organization is the
- co-operative society.
 - partnership.
 - sole proprietorship.
 - limited liability company.
15. In which of the following market structures is consumer freedom guaranteed?
- Monopsony
 - Monopolistic competition
 - Oligopoly
 - Perfect competition

16. Adequate supply of goods will help to curb the problem of
- choice.
 - hoarding.
 - wastage.
 - storage.
17. An advantage of a large population is that there is the possibility of
- political stability.
 - higher production.
 - educational improvement.
 - high unemployment.
18. The labour force is made up of
- the total number of employed only.
 - the supply of and demand for labour.
 - those who are working and those who are looking for jobs.
 - an organization in which buyers and sellers are in close contact.
19. Which of the following will **not** affect birth rate in a country?
- Culture of the society
 - Religion of the people
 - Age distribution of population
 - Geographical location
20. One important reason for wage differentials among occupations is the
- length and cost of training.
 - size of labour force.
 - age distribution of the population.
 - level of unemployment.
21. A system where employees are paid on the number of hours worked is referred to as
- piece rate.
 - time rate.
 - price rate.
 - income rate.

22. The best way of stabilizing the price of an agricultural produce is by
- A. controlling its flow into the market.
 - B. exporting the produce.
 - C. fixing a maximum price for the produce.
 - D. importing more from other countries.
23. In perfect competition, the short run supply curve is equal to the
- A. marginal cost curve.
 - B. average variable cost curve.
 - C. average fixed cost.
 - D. total cost curve.
24. The following curves are U-shaped **except**
- A. average total cost curve.
 - B. average variable cost curve.
 - C. average fixed cost curve.
 - D. marginal cost curve.
25. If there is a fall in the terms of trade in the domestic economy,
- A. import prices are higher relative to export prices.
 - B. export prices are higher relative to import prices.
 - C. import and export prices have both declined.
 - D. export and import prices have both increased.
26. Which of the following is true of a perfectly competitive firm in a long run equilibrium? Price
- A. exceeds marginal revenue.
 - B. equals average total cost.
 - C. exceeds average cost.
 - D. is less than average variable cost.

27. If Mr. Adams is an ordinary partner in a business then he
- A. has limited liability.
 - B. pays dividends annually.
 - C. owns the business jointly with others.
 - D. provided all the business capital.
28. The following are functions of a Central Bank except
- A. fixing the bank rate.
 - B. adjusting the cash ratio.
 - C. controlling money supply.
 - D. accepting deposits from customers.
29. If a producer uses raw materials worth \$10 million to produce goods worth \$15 million, the value added in the production process is
- A. \$25 million.
 - B. \$15 million.
 - C. \$10 million.
 - D. \$5 million.
30. An economy with price stability is where there is
- A. hyper-inflation.
 - B. imported inflation.
 - C. zero inflation.
 - D. galloping inflation.
31. The transfer of the ownership of industries from the government to citizens and indigenous firms is called
- A. nationalization.
 - B. privatization.
 - C. commercialization.
 - D. industrialization.

32. An industry which undertakes production of perishable goods is usually located near the
- A. source of power.
 - B. source of raw materials.
 - C. source of finance.
 - D. market for the product.
33. One reason for measuring national income is to
- A. determine the total population.
 - B. check rural-urban migration.
 - C. measure per capita income.
 - D. measure the income distribution.
34. If demand for a product is price inelastic, the incidence of a tax rests on the
- A. producer.
 - B. seller.
 - C. consumer.
 - D. wholesaler.
35. One of the tools of fiscal policy is
- A. open market operations.
 - B. government expenditure.
 - C. moral suasion.
 - D. interest rate.
36. If Mr. A earns \$30,000 annually, and pays \$100 as tax, while Mr. B earns \$15,000 annually and pays \$100 as tax, which system of taxation is employed here?
- A. Equal tax system
 - B. Regressive tax system
 - C. Proportional tax system
 - D. Progressive tax system

37. Nations impose restrictions on imports in order to
- A. protect home industries.
 - B. be internationally recognized.
 - C. avoid a language barrier.
 - D. increase the flow of currencies.
38. The point at which a firm maximizes profit is where
- A. marginal revenue equals average cost.
 - B. average cost equals marginal cost.
 - C. marginal revenue equals marginal cost.
 - D. average revenue equals price.
39. Labour efficiency is increased by all the following **except**
- A. improved remuneration.
 - B. education and training.
 - C. good working environment.
 - D. mobility of labour.
40. Which of the following is an **advantage** of division of labour?
- A. Employment opportunity
 - B. Employment of capital
 - C. Monotony of work
 - D. Increased productivity
41. If a commodity has high marginal utility, its market price will be
- A. low.
 - B. high.
 - C. falling.
 - D. constant.

42. Consumers are said to be rational in their decision making because they
- A. prefer less to more satisfaction.
 - B. prefer more to less satisfaction.
 - C. are eager to take big risk.
 - D. always want to make profit.
43. A change in consumers' income will cause
- A. a change in demand.
 - B. reckless spending.
 - C. an increase in savings.
 - D. a change in quantity demanded.
44. When **two** or **more** goods are needed to satisfy a want, demand is said to be
- A. derived.
 - B. competitive.
 - C. composite.
 - D. complementary.
45. Capital provided by the government for the benefit of society as a whole is known as
- A. circulating capital.
 - B. money capital.
 - C. social capital.
 - D. working capital.
46. When the cross elasticity of demand is positive, the goods are said to be
- A. complements.
 - B. independent.
 - C. substitutes.
 - D. abnormal.
47. A low level of economic development in West African countries is **mainly** due to
- A. low level of education.
 - B. inadequate resources.
 - C. inadequate labour.
 - D. ineffective plan implementation.

48. Which of the following **best** defines supply? The quantity
- A. of output produced
 - B. consumers want to buy
 - C. offered for sale at a price and time
 - D. offered for sale by the producer
49. A country's visible trade balance will be affected by
- A. more imports of merchandise.
 - B. less transfer of capital.
 - C. payments to owners of foreign ships.
 - D. receipt of more financial aid.
50. In international trade, a country can encourage a high patronage of her exports if it
- A. lowers the quantity of exports.
 - B. devalues its currency.
 - C. reduces her imports.
 - D. raises tariffs.

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