

**AKENTEN APPIAH-MENKA UNIVERSITY OF SKILLS TRAINING AND
ENTREPRENEURIAL DEVELOPMENT**
DEPARTMENT OF ACCOUNTING EDUCATION
RESIT/SUPPLEMENTARY SEMESTER EXAMINATION-MAY 2021

PROGRAMME	BSC ACCOUNTING EDUCATION (LEVEL 100)
COURSE TITLE	INTRODUCTION TO MACROECONOMICS
COURSE CODE	ECO 121
DURATION	2 HOURS
EXAMINER	DR. JOSEPH ANTWI BAAFI
INSTRUCTIONS READ THE INSTRUCTIONS CAREFULLY BEFORE STARTING	<ul style="list-style-type: none">-Use HB Pencil to complete the scannable form-At the DEPARTMENT/STUDY CENTER section enter ACCOUNTING and shade accordingly-At the COURSE CODE section enter ECO 111 and shade accordingly-At the CANDIDATE NUMBER section enter your INDEX NUMBER and shade accordingly-At the EXAM TYPE section shade END SEMESTER- Shade the correct answer on the scannable forms and circle it on the question paper-You are supposed to return both scannable forms and question papers to the invigilator

Use the information below to answer questions 1-9

Henewaa automotive is considering offer from SEFWI Island to build a plant making automotive parts for use in that country (SEFWI Island). In preparation for a final decision, Henewaa's economists: Joshua Tsrah and Adams Baffoe have been hard at work constructing a basic macroeconomic model for Sefwi Island to aid the company (Henewaa automotive) in predicting future levels of economic activity. Because of the cyclical nature of the automotive parts industry, forecasts of future economic activity are quite important in Henewaa's decision process. Corporate profits (P_{t-1}) for all firms in Sefwi Island were about ₦100 billion. Gross Domestic Product (GDP) for the nation is composed of consumption C, Investment I, and government spending G. It is anticipated that Sefwi Island's federal state and local governments will spend in the range of ₦2000 billion next year. On the basis of an analysis of recent economic activity in Sefwi Island, consumption expenditure are assumed to be ₦1000 billion plus 70% of disposable income (Yd). Also, GDP is adjusted with Transfer payments (TR) of ₦100 billion and Taxes T to obtain Yd. Taxes T, are estimated to be in the range of about ₦2 billion plus 30% of GDP. Finally, corporate investments have historically equaled 90% of last year's corporate profits (P_{t-1})

1. The GDP equals
 - A) $C+I+G+X-M$
 - B) $C+G+X-M$
 - C) $C+I+G$
 - D) $C+I$
2. Consumption expenditure equals
 - A) $1000 + 0.7(GDP + T + TR)$
 - B) $1000 + 0.7(GDP - T + TR)$
 - C) $1000 + 0.7(GDP - T - TR)$
 - D) None of the Above
3. Taxes equal
 - A) $2 + 0.3GDP$
 - B) $2 + 30GDP$
 - C) $30 + 0.2GDP$
 - D) $30 + 0.02GDP$
4. Investment value in Sefwi Island is
 - A) ₦9,000 billion
 - B) ₦111.11 billion
 - C) ₦390.25 billion
 - D) ₦90 billion

5. At equilibrium GDP is
- A) ₵6139.33 billion
 - B) ₵6193.33 billion
 - C) ₵61390.33 billion
 - D) ₵61930.33 billion
6. What is the position of the budget in Sefwi Island ?
- A) Budget Deficit of ₵140 billion
 - B) Budget Surplus of ₵140 billion
 - C) Budget Deficit of ₵1400 billion
 - D) Budget Surplus of ₵1400 billion
7. What is the Government multiplier?
- A) 1.69
 - B) 1.96
 - C) 16.9
 - D) 19.6
8. Assuming that there is an import and export values of ₵400 billion and ₵600 billion respectively, what would be the equilibrium GDP?
- A) 6558.49 billion
 - B) 6585.49 billion
 - C) 6855.49 billion
 - D) None of the Above
9. Assuming that there is an import and export values of ₵400 billion and ₵600 billion respectively, what would be the position of the Trade balance?
- A) Trade Surplus of ₵1000 billion
 - B) Trade deficit of ₵1000 billion
 - C) Trade Surplus of ₵200 billion
 - D) Trade deficit of ₵200 billion

Use the information below to answer questions 10-14

Priscilla Atobra, Jernifer Asan and Patricia Atito Ewoenam are very close friends. They all graduated with first class in their respective disciplines. Jernifer Asan disclosed that her aunt has just opened a new Store that deals in Koobi and Kahuro. She has now decided to help the aunt at the store since the aunt often *dash* her some token. Though the aunt has not explicitly recruited Jernifer Asan, she seems to be ok. Patricia Atito Ewoenam on the other hand suffers from mental challenges and due to that she hardly put on her own clothes successfully. As a result employers are finding it difficult to recruit her. The wisest of the three, Priscilla Atobra, has just applied for a position as Manageress in one of the reputable banks in the country. The employers have accepted her application and have also approved of it. However, her appointment will take effect from next week. Priscilla Atobra and Jernifer Asan on their way to see their ill friend Patricia Atito Ewoenam, met Ativor Godsway and Emmanuel Kofi Asare who are also finding challenges with jobs. Though Ativor Godsway has lost his job because the raining season is over, he doesn't think of it as much as he think of his *better half* Patricia Atito Ewoenam. Emmanuel Kofi Asare is pretending he is not in love, but his greediness is preventing him from expressing his choice between Priscilla Atobra and Jernifer Asan. That is Emmanuel Kofi Asare likes the two. Ativor Godsway and Emmanuel Kofi Asare accompanied them to visit Patricia Atito Ewoenam but on their way Emmanuel Kofi Asare disclosed that he is looking for a new job because his employers have laid off some workers because of a fall in the demand for the kokonte they produce.

10. According to the passage Priscilla Atobra is facing unemployment
- A) Frictional
 - B) Disguised
 - C) Keynesian
 - D) Seasonal

11. According to the passage Ativor Godsway is facing unemployment
A) Frictional C) Keynesian
B) Disguised D) Seasonal
12. According to the passage Jernifer Asan is facing unemployment
A) Frictional C) Keynesian
B) Disguised D) Seasonal
13. According to the passage Emmanuel Kofi Asare is facing unemployment
A) Frictional C) Keynesian
B) Disguised D) Seasonal
14. According to the passage Patricia Atito Ewoenam is facing unemployment
A) Frictional C) Keynesian
B) Disguised D) Residual

Use the information below to answer questions 15-16

Adams Baffoe has found that a certain country consists of a population of 26 million out of which 5 million are retired, 20 million are employed and 1m are unemployed.

15. What is the total Labour Force?
A) 20 million C) 26 million
B) 21 million D) 1 million
16. What is the rate of unemployment?
A) 6% C) 5.66%
B) 4.76% D) 48%
17. Unemployment statistics only include those who are.....
A) First class graduates from all Universities in Ghana.
B) Fighting government because inflation is high.
C) All of above
D) None Of above
18. Inflation is measured by computing the annual rate of change in the.....
A) Consumer Price Index (CPI).
B) Employed using how much they buy.
C) All of above
D) None of above
19. According to classicals money.....
A) is very bad
B) Has real effect
C) All of above
D) None of above
20. According to classicals money is for only purpose (s)
A) Transactionary and Precautionary
B) Speculative
C) Both A and B are correct.
D) None of above

21. According to Keynesians money is for..... purpose

- A) Transactionary
- B) Precautionary
- C) Speculative
- D) All of above

22. According to Keynesians holding money to meet unforeseen circumstances is demand for money

- A) Transactionary
- B) Watching
- C) Speculative
- D) None of above

23. According to Keynesians holding money to purchase interest bearing assets is demand for money

- A) Transactionary
- B) Precautionary
- C) Both A and B are correct.
- D) None of above

Use the information below to answer questions 24-26

Debtors value GHS 1000

Inflation is 30 %

Initial Deposit is GHS 100

Cash Ratio 21%

24. What is the Banks multiplier?

- A) 5
- B) 10
- C) 15
- D) 4.76

25. What is total money supply?

- A) GHS 1000
- B) GHS 5000
- C) GHS 1020
- D) GHS 476.19

26. Money created is.....
- A) GHS 200
 - B) GHS 800
 - C) GHS 4000
 - D) GHS 376.19
27. Macroeconomics is concerned with
- A) The general level of prices
 - B) The growth of real output
 - C) The level of employment in the economy
 - D) All the above
28. One of the primary issues covered within macroeconomics is
- A) The behaviour of households
 - B) The pricing decisions of a firm
 - C) Inflation
 - D) Price discrimination
29. Macroeconomists study all of the following issues except:
- A) The relative market shares of General Motors and Ford
 - B) The growth of total production in the United States
 - C) The amount of imports and exports between the United States and Japan
 - D) The factors of the long-run economic growth
26. Which of the following is NOT a reason that international trade theory is useful for managers to understand?
- A) Countries use trade theories to help them decide how to improve their competitive positions, such as improving the quantity and quality of production factors.
 - B) Countries' trade policies affect whether imports are allowed to compete against domestic production, thus affecting where companies need to produce to serve given markets.
 - C) Countries use laissez-faire policies to intervene in the free movement of international trade, thus affecting where companies can produce most efficiently.
 - D) Countries wrestle with the questions and set policies on what, with whom, and how much they should import and export, thus affecting companies' abilities to produce given products efficiently and sell them into given markets.
27. The trade theory that says a country should export more than it imports is known as
- A) Mercantilism
 - B) Absolute advantage
 - C) Comparative advantage
 - D) Import substitution
28. Under mercantilism, governments sought to influence trade by _____.
- A) Establishing bilateral trading agreements with other countries
 - B) Limiting exports
 - C) Limiting imports and subsidizing exports
 - D) Encouraging the development of manufacturing in their colonies
29. Which of the following undesirable results will most likely occur for a country running a favorable balance of trade?
- A) Higher unemployment
 - B) Higher domestic interest rates
 - C) Fewer funds to invest abroad
 - D) Granting credit that may be risky

30. According to Adam Smith's theory of absolute advantage, specialization allows countries to increase their efficiency for each of the following reasons EXCEPT
- A) labor could become more skilled by repeating the same tasks
 - B) transportation costs could be lowered by producing closer to markets
 - C) labor would not lose time in switching from the production of one kind of product to another
 - D) higher production would provide incentives for the development of more effective working methods
31. Comparative advantage differs from absolute advantage in that the former _____, whereas the latter _____.
- A) holds that countries should specialize their production; does not
 - B) holds that trade should be kept as nearly in balance as possible; says countries should seek a favorable balance of trade
 - C) bases trade on natural advantages; bases trade on acquired advantage
 - D) states that there is a basis of trade even if one country can produce everything more efficiently than another country; does not deal with this issue
32. The comparative advantage theory holds that a country will gain from trade
- A) when it exports products for which it has an acquired advantage and imports products for which another country has a natural advantage
 - B) if it exports goods it can produce more efficiently than other countries and imports goods other countries can produce more efficiently than it can
 - C) even though it can produce all goods more efficiently than other countries
 - D) if it exports products using its abundant production factors in exchange for products for which it has scarce production factors
33. According to the theory of comparative advantage, a country gains from foreign trade even though it may have an absolute advantage in the production of all products because
- A) the country will forego producing its less efficient output in order to produce its more efficient output
 - B) workers become more efficient through specialization
 - C) economies of scale will reduce cost
 - D) there will be more incentive to develop cost-saving technologies
34. Which of the following assumptions was made in the original theories of absolute and comparative advantage?
- A) Specialized labor seeks efficiency.
 - B) Labor resources are fully employed.
 - C) Countries pursue objectives other than economic efficiency.
 - D) Production networks enable countries to concentrate on particular functions.
35. The free trade theories of specialization primarily assume that _____.
- A) specialization leads to unemployment, but production gains compensate for job losses
 - B) resources can move internationally from the production of one good to another
 - C) resources can move domestically from the production of one good to another
 - D) countries have objectives other than economic efficiency

Use the information below to answer questions 36-45

Adams Baffoe, a researcher, investigated two firms, C and D, both produce coat hangers. The price of coat hangers is \$1.20 each. Firm C has total fixed costs of \$70,000 and variable costs of 30 cents per coat hanger. Firm D has total fixed costs of \$40,000 and variable costs of 60 cents per coat hanger. The corporate tax rate is 30%. If the economy is strong, each firm will sell 200,000 coat hangers. If the economy enters a recession, each firm will sell 140,000 coat hangers.

36. If the economy enters a recession, the total revenue of Firm C will be _____.
A. \$180,000. This is most true under economic boom.
B. \$100,000. This is most true under economic boom.
C. Both A and B are correct. This is most true under recession.
D none of above
37. If the economy enters a recession, the total cost of Firm C will be _____.
A. \$180,000. This is most true under economic boom.
B. \$170,000. This is most true under economic boom.
C. Both A and B are correct. This is most true under recession.
D none of above
38. If the economy enters a recession, the before tax profit of Firm C will be _____.
A. \$1,680,000. This is most true under recession.
B. \$1,170,000. This is most true under economic boom.
C. all of above. This is most true when the economy is at the peak.
D. none of above.
39. If the economy enters a recession, the tax of Firm C will be _____.
A. \$1,680,000. This is most true under recession.
B. \$750,000. This is most true when the economy is at the peak.
C. all of above. This is most true when the economy is at the peak.
D none of above
40. If the economy enters a recession, the after-tax profit of Firm C will be _____.
A. \$1,680,000. This is most true when the economy is at the peak.
B. \$750,000. This is most true when the economy is at the peak.
C. all of above. This is most true when the economy is at the peak.
D. none of above.
41. If the economy is strong, the total cost of Firm C will be _____.
A. \$1,680,000. This is most true under economic boom.
B. \$1,170,000. This is most true under economic boom.
C. all of above. This is most true under economic boom.
D none of above

52. When actual output is greater than potential output, Keynes argued that the government should
- cut both taxes and government spending
 - increase both taxes and government spending
 - increase taxes and/or decrease government spending
 - decrease taxes and/or increase government spending
53. The Central Bank affecting the supply of money is known as
- monetary policy
 - supply-side policy
 - fiscal policy
 - incomes policy
54. Policies designed to affect the quantity of money are
- fiscal policies
 - supply side or growth policies
 - government spending policies
 - monetary policies
55. Government policies that focus on increasing production rather than stimulating aggregate demand are known as
- monetary policy
 - supply-side policy
 - fiscal policy
 - incomes policy
56. If government regulations imposed on businesses that reduce productivity are eliminated, the government is attempting to use
- monetary policy
 - supply-side policy
 - fiscal policy
 - incomes policy
57. A surplus in the government budget exists when
- the total amount of money owed by the government is zero
 - the difference between the level of tax revenues and federal expenditures in a year is positive
 - the ratio of federal tax revenues to expenditures in a year equals to one
 - the total amount of money owed by all levels of government exceeds total tax revenues
58. In a business cycle, a peak represents the end of _____ and a trough represents the end of _____
- an expansion; a recession
 - a depression; an expansion
 - a trough; a peak
 - a recession; an expansion
59. In a business cycle, a peak represents the end of
- an expansion
 - a depression
 - Trough
 - a recession
60. The trade theory that says a country should export more than it imports is known as
- mercantilism
 - absolute advantage
 - comparative advantage
 - import substitution