

ECONOMICS

1. Adam Smith defined economics as “an inquiry into the nature and causes of wealth of nations”.

To him economics is concerned with

- A. resource allocation.
- B. wealth making.
- C. nature of businesses.
- D. science of economics.

2. A rightward shift in the production possibility frontier may be due to

- A. inefficiency in production techniques.
- B. improvement in production technique and practices.
- C. inadequate resources.
- D. use of inferior inputs.

3. Roads and electricity provided by the government are best described as

- A. circulating capital.
- B. human capital.
- C. social capital.
- D. personal capital.

4. The following economic systems are the same except

- A. controlled economy.
- B. capitalist economy.
- C. socialist economy.
- D. planned economy.

5. Which of the following will best illustrate relative sectoral contributions to the Gross Domestic Product (GDP) of a country?

- A. Pie chart.
- B. Pictogram.
- C. Line graph.
- D. Tables.

6. Which of the following situations may occur if the demand for bread falls? The

- A. demand for its substitutes may fall.
- B. demand for bakers' services may fall.
- C. price of flour may rise.
- D. price of bread may increase.

7. The demand curve for a commodity with zero price elasticity is

- A. perfectly elastic.
- B. fairly inelastic.
- C. perfectly inelastic.
- D. fairly elastic.

8. If demand is inelastic and price is raised, total revenue will

- A. rise.
- B. decrease.
- C. remain unchanged.
- D. fall to zero.

9. If at the same price, more of a commodity is bought, it indicates an increase in

- A. quantity demanded.

- B. demand.
- C. demand of a substitute.
- D. demand for a complement.

10. The law of supply implies that the supply curve

- A. has a positive slope.
- B. has a negative slope.
- C. is vertical.
- D. is horizontal.

11. In perfectly inelastic supply, the supply curve

- A. is vertical.
- B. is horizontal.
- C. slopes upward.
- D. slopes downward.

12. Devaluation of currency will be effective if the elasticity of supply of exports is

- A. unitary.
- B. elastic.
- C. fairly inelastic.
- D. perfectly inelastic.

13. The market supply for a commodity is the

- A. quantity of a commodity supplied by a firm.
- B. aggregate of supply schedules of individual firms.
- C. total output of a manufacturer brought into the market.
- D. quantity of a commodity produced at a given time.

14. A demand curve slopes downward because of

- A. the laws of demand and supply.
- B. the law of variable proportions.
- C. diminishing marginal utility.
- D. increasing returns to scale.

15. Minimum price is usually fixed

- A. above the equilibrium.
- B. below the equilibrium.
- C. at the equilibrium.
- D. by middlemen.

16. An increase in the demand for cocoa in the short-run may lead to

- A. an increase in price and quantity.
- B. an increase in price as supply decreases.
- C. an increase in price as supply remains unchanged.
- D. a decrease in price and supply.

17. A firm experiences internal diseconomies of scale when

- A. average cost of production declines.
- B. it faces higher production cost.
- C. it adopts technological innovation.
- D. production cost declines with higher output.

18. In order to prevent the operation of the law of diminishing returns in agriculture,

- A. labour intensive method should be adopted.
- B. land tenure should be encouraged.
- C. the use of fertilizer should be encouraged.
- D. urban-rural migration should be encouraged.

19. Which of the following statements is false in theory of costs?

- A. AFC curve falls as output rises
- B. AFC curve rises as output rises
- C. AVC curve falls first, then rises
- D. ATC curve falls first, then rises

20. A firm may enjoy technical innovation when it

- A. uses more of producers' goods.
- B. improves the welfare of workers.
- C. sets up research and development department.
- D. improves its transportation and communication facilities.

21. A monopolist can practice price discrimination only if

- A. the market can be segmented.
- B. communication is perfect.
- C. elasticities of demand are uniform in the market.
- D. goods and services are heterogeneous.

22. Consumers' cooperative societies are formed to

- A. encourage thrift among members.
- B. supply farm inputs to members at controlled prices.
- C. ensure effective distribution of consumers' goods.
- D. make sure consumers pay minimum prices fixed by the government.

23. One disadvantage of cooperative societies as business organisations is that

- A. true spirit of cooperation is marred by delegated authority.
- B. members show too much interest.
- C. it is poorly financed.
- D. members share essential commodities.

24. Distribution can be described as the movement of

- A. raw materials to the centre of production.
- B. labour from the farm to the market centres.
- C. goods from the rural areas to the urban centres.
- D. commodities from production points to the consumers.

25. Which of the following is not usually the function of a wholesaler?

- A. Transportation
- B. Storage
- C. Advertising
- D. After-sales service

26. A country with a declining population may experience

- A. reduction in the dependency ratio.
- B. a high propensity to save and invest.
- C. higher demand for goods needed by old people
- D. higher demand for goods needed by infants.

27. Efficiency of Labour is enhanced mainly by
- A. involvement in one's own family affairs.
 - B. mechanization processes.
 - C. industrial action.
 - D. improved working conditions and training.
28. Unemployment associated with areas of declining industries is
- A. cyclical unemployment.
 - B. structural unemployment.
 - C. frictional unemployment.
 - D. voluntary unemployment.
29. Small-size farms are common in West Africa because
- A. many farmers want to be their own bosses.
 - B. of poor qualities of farmland.
 - C. of land tenure and fragmentation.
 - D. of poor weather and climatic conditions.
30. The contributions of manufacturing industries to development is low in West Africa because
- A. few people are involved.
 - B. there is no capital to start operations.
 - C. of inadequate infrastructural facilities.
 - D. people do have the skills required.
31. In general, natural factors are very important in the location of
- A. import-substitution industries.
 - B. assembly industries.
 - C. tertiary industries.
 - D. extractive industries.
32. Which of the following items is not included in the national income?
- A. Services rendered to government
 - B. Value of transfer payment
 - C. Value of producers' goods
 - D. Dividend and royalties
33. What should be done to obtain net domestic product from gross domestic product?
- A. Add depreciation
 - B. Deduct indirect tax
 - C. Add indirect tax
 - D. Deduct depreciation
34. Double counting in national income accounting can be avoided if
- A. expenditure approach is adopted.
 - B. intermediate products are counted.
 - C. value added approach is adopted.
 - D. income and output approaches are used.
35. Materials that are used as money and have intrinsic values are
- A. customary money.
 - B. quasi-money.
 - C. bank money.
 - D. commodity money.

36. In order to control inflation, the Central Bank should
- A. buy securities.
 - B. sell securities.
 - C. reduce the liquidity ratio.
 - D. reduce the bank rate.
37. A shortfall in the supply of essential goods is likely to cause
- A. economic recession.
 - B. cyclical unemployment.
 - C. inflation.
 - D. deflation.
38. Which of the following functions is not performed by commercial banks?
- A. Acceptance of deposits.
 - B. Management of public debts.
 - C. Agents for transfer of funds.
 - D. Custodians of valuables.
39. Which of the following is not a function performed by the Central Bank?
- A. Controlling the flow of money.
 - B. Regulating the activities of financial institutions.
 - C. Lending to other financial institutions.
 - D. Lending to the public.
40. If demand for a commodity is fairly elastic, a tax imposed on the commodity
- A. is borne only by the manufacturer.
 - B. is borne only by the consumer.
 - C. will have greater impact on the seller.
 - D. will have greater impact on the buyer.
41. The tax on net contribution of a producer is called
- A. sales tax.
 - B. excise tax.
 - C. value added tax.
 - D. specific tax.
42. The slow rate of capital formation in developing countries is primarily because
- A. people do not understand what capital formation is.
 - B. the rate of savings is too high.
 - C. there is low level of income.
 - D. there is excessive government intervention.
43. A major problem facing the implementation of economic plans in West Africa is
- A. unreliable flow of foreign capital.
 - B. lack of unskilled labour.
 - C. lack of large domestic market.
 - D. inadequate supply of raw materials.
44. A country's balance of trade is in surplus if the value of
- A. visible exports exceed that of visible imports.
 - B. imports exceed that of exports.
 - C. imports equal that of exports.

D. invisible exports exceed that of invisible imports.

45. A record of exports and imports of commodities is made in the

- A. financial account.
- B. current account.
- C. capital account.
- D. monetary movement account.

46. A deterioration in a country's terms of trade means that

- A. volume of exports have risen.
- B. volume of imports have fallen.
- C. prices of exports have fallen.
- D. prices of imports have fallen.

47. If the overall balance in the current and capital accounts is zero, there is a balance of payments

- A. deficit.
- B. surplus.
- C. equilibrium.
- D. problem

48. One feature of common market is that members are

- A. free to adopt transport policy of their own.
- B. required to possess valid travel documents.
- C. free to impose the same external tariff.
- D. allowed to adopt agricultural policy of their choice.

49. The Organisation of Petroleum Exporting Countries (OPEC) was formed primarily to

- A. maintain steady increase in oil prices.
- B. take over the functions of foreign oil marketing companies.
- C. encourage members to produce oil that will meet their needs
- D. maintain stable oil prices and income.

50. The supply of solid mineral resources is fixed in the long-run because the

- A. deposits are not fully discovered.
- B. technology involved in their exploitation is limited.
- C. mineral resources are non-renewable.
- D. number of firms involved are many.

Here are the correct answers for the Economics objective questions in alphabet form:

- 1. B
- 2. B
- 3. C
- 4. B
- 5. A
- 6. B
- 7. C
- 8. A
- 9. B
- 10. A
- 11. A
- 12. B
- 13. B

14. C
15. A
16. A
17. B
18. C
19. B
20. C
21. A
22. C
23. C
24. D
25. D
26. C
27. D
28. B
29. C
30. C
31. D
32. B
33. D
34. C
35. D
36. B
37. C
38. B
39. D
40. C
41. C
42. C
43. A
44. A
45. B
46. C
47. C
48. C
49. D
50. C