

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 is 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