**SUMMIT TECHNICAL COLLEGE** 

**ATD 3 ECONOMICS CAT 1**

**ANSWER ALL THE QUESTIONS**

1. Which one of the following statements best describe economics? (2 MARKS)
2. How society allocates scarce resources to satisfy unlimited wants
3. How to ensure resources are equally shared
4. How resources should be allocated
5. How to increase economic development

**Correct answer A**

1. Which one of the following factors might case movement along a supply curve? (2 MARKS)
2. Existence of favorable weather conditions
3. Increase in indirect tax
4. Change in price
5. Increase in government supply

**Correct answer C**

1. Which one of the following conditions is necessary for price discrimination by a monopoly?

(2 MARKS)

1. There must be perfect knowledge about the market
2. The elasticity of demand in different markets must be different
3. The markets should be separate
4. There must be no barrier to entry into the industry

**Correct answer B**

1. All things being equal which one of the following statements would not induce economic growth

(2 MARKS)

1. Increase in the stock of machinery
2. Improvement in the level of technology
3. Increase in the number of labor force
4. Increase in the consumption of products

**Correct answer D**

1. Which one of the following statements is an advantage of small-scale industries in developing countries? (2 MARKS)
2. Stiff competition from large scale industries
3. A country balance of payments position improves
4. Small scale industries enjoy technical economies of scale
5. The government provides necessary infrastructure

**Correct answer B**

1. Which one of the following statements is not a limitation of Marshallian utility analysis? the analysis (2 MARKS)
2. Considers marginal utility of money to be variable
3. Does not consider the income and substitution effect
4. Assumes that consumers will always behave rationally
5. Assume perfect divisibility of commodities

**Correct answer A**

1. Which one of the following factors does not influence demand? (2 MARKS)
2. Price of the products
3. Income of the consumers
4. Price of substitute goods
5. Cost of production

**Correct answer D**

1. Which one of the following statements best describes external economies of scale? (2 MARKS)
2. Problems a firm experience due to expansion
3. Benefits which accrue to a firm as a result of growth of whole industry
4. Benefits which a firm derives from large purchases
5. Production of substandard of goods due to protection from government

**Correct answer B**

1. Which of the following statements refers to a demerit of delocalization of firms? (2 MARKS)
2. Adverse environmental problems due to economic concentration of firms in one region
3. Overdependence on the production of a single industry
4. Contributes to rural to urban migration
5. Production of substandard goods due to protection from government

**Correct answer B**

1. Which one of the following statements is true about recession? (2 MARKS)
2. Unemployment increases
3. Employment increases
4. Unemployment decreases
5. Salary increases

**Correct answer A**

1. Which of the following statements is not characteristics of mixed economic system? (2 MARKS)
2. Government provides essential goods and services
3. There is ownership of both private and public properties
4. There is large numbers of buyers and sellers
5. Both the private and public sectors create employment

**Correct answer C**

1. Which one of the following is a fiscal policy to control inflation? (2 MARKS)
2. Bank rate
3. Moral suasion
4. Reserve margins
5. Borrowing

**Correct answer D**

1. Which one of the following statements is not a characteristics of indifference curve? (2 MARKS)
2. They are negatively sloped
3. They are concave to the origin
4. They are asymptotic
5. Indifference curve never intersect

**Correct answer B**

1. Which one of the following factors influence supply of a commodity? (2 MARKS)
2. Technology
3. Advertising
4. Population
5. Credit

**Correct answer A**

1. The branch of economies known as macroeconomics is based on the principle of (2 MARKS)
2. Producer
3. Opportunity cost
4. Consumer
5. National income

**Correct answer D**

1. Which one of the following statements is not a limitation of consumer sovereignty? (2 MARKS)
2. The size of the consumer income
3. The existence of oligopolies
4. The nature of economic system
5. The range of goods available

**Correct answer B**

1. Which one of the following statements describes the term economic planning? (2 MARKS)
2. Increase in a country national income including instructional and structural changes
3. Increase in the gross national product represented by rightward shift of aggregate demand
4. A deliberate attempt by the state to make the best use of country resources
5. Increase in the productive capacity of an economy

**Correct answer C**

1. Which one of the following statements is an economic effect of increased money supply in an economy? (2 MARKS)
2. Producers can produce more at the same price as before
3. High demand of goods due to increased purchasing power
4. Interest rates increases due to excess liquidity
5. Demand exceeds supply thus the market forces exert pressure on prices to rise causing inflation

**Correct answer D**

1. Which one of the following statements is type of labor mobility? (2 MARKS)
2. Individual mobility
3. Group mobility
4. Horizontal mobility
5. Temporary mobility

**Correct answer C**

1. Which one of the following statements is not a law of returns to scale? (2 MARKS)
2. Law of average returns to scale
3. Law of constant returns to scale
4. Law of increasing returns to scale
5. Law of decreasing returns to scale

**Correct answer A**

1. Which one of the following is fiscal policy tool? (2 MARKS)
2. Bank rate policy
3. Taxation policy
4. Open market operations
5. Marginal value

**Correct answer B**

1. Which of the following statements define devaluation of currency? (2 MARKS)
2. Market forces lowering the value of a country currency
3. Central bank increasing the value of a country currency
4. Commercial bank lowering their lending rate
5. Central bank lowering the value of a country currency

**Correct answer D**

1. Which one of the following phases correctly outlines a business cycle? (2 MARKS)
2. Expansion, maturity, depression, revival.
3. Boom, constant, diminishing revival
4. Boom, recession depression revival.
5. Expansion, boom, depression, revival

**Correct answer D**

1. Which one of the following measures may not correct the balance of payment deficit?

(2 MARKS)

1. Import substitution
2. Revaluation of currency
3. Export promotion
4. Economic integration

**Correct answer B**

1. Which one of the following statements describes competitive demand? It is a demand for goods (2 MARKS)
2. Used independently
3. Used together
4. With several uses
5. That serve the same purpose

**Correct answer D**

1. Which one of the following statements is an assumption of the law of diminishing marginal utility? (2 MARKS)
2. Units of the commodity must be consumed continuously
3. Price level should vary with goods purchased
4. Consumer can vary the type of goods consumed
5. Consumer can consume different units of the commodity

**Correct answer A**

1. Which of the following is a level of production? (2 MARKS)
2. Tertiary production
3. Indirect production
4. Secondary production
5. Primary production

**Correct answer A**

1. Which one of the following statements explains the term ‘’price discriminations’’ selling?

(2 MARKS)

1. Different goods at similar prices
2. Similar goods at similar prices
3. Different goods at a different price
4. Similar goods at different prices

**Correct answer D**

1. Economists typically assumes that the main aim of a firm is to maximize (2 MARKS)
2. Revenue
3. Profit
4. Utility
5. Sales

**Correct answer B**

1. Which one of the following factors does not determine the level of national income? (2 MARKS)
2. Technology
3. Per capital income
4. Level of employment
5. Terms of trade

**Correct answer B**

1. Identify the correct representation of the stages of the law of diminishing returns (2 MARKS)
2. Constant returns, no returns, increasing returns
3. Diminishing returns, no returns, increasing returns
4. No returns, constant returns, diminishing returns
5. Increasing returns, constant return, diminishing return

**Correct answer D**

1. Which one of the following statements best explains the concept of economic development?

(2 MARKS)

1. Economic development is an increase in a country national income
2. Economic development is an increase in country’s net income from abroad
3. Economic development is an increase in country GNP plus institutional changes
4. Economic development is an increase in a country GNP as well as GDP

**Correct answer C**

1. Classify the two broad sources of public debt (2 MARKS)
2. Internal and external debt
3. Regional and international
4. Floating and self-liquidating
5. Short term and long term

**Correct answer A**

1. Choose the policy that explains a country reliance on its locally produced goods (2 MARKS)
2. Export promotion
3. Import substitution
4. Protectionism policy
5. Import restriction

**Correct answer B**

1. Which one of the following is not an assumption of indifference curve analysis (2 MARKS)?
2. Consumers income increases
3. Consumers are rational
4. Indifference curve are convex to the origin
5. Commodity is homogenous and divisible

**Correct answer A**

1. The following are the merits of adopting labour intensive technique of production. Which one is not (2 MARKS)
2. It is flexible
3. Promotes creation of employment
4. Motivates workers
5. Saves time

**Correct answer D**

1. Which one is an assumption of indifference curve? (2 MARKS)
2. Prices are constant
3. Goods are indivisible
4. Consumers are not rational
5. Goods are heterogeneous

**Correct answer A**

1. A firm has a total cost function given as

TC = 156+20Q-3Q2+7Q3

Required

Calculate the marginal cost function of the firm. (2 MARKS)

1. 20-30+7q2
2. 6Q+21Q2
3. 156+20Q-6Q+21Q2
4. 20-6Q+21Q2

**Correct answer D**

1. Which one of the following is a role of cooperative society (2 MARKS)?
2. Accepting deposits
3. Lender of last resort
4. Creation of employment
5. Development of affordable housing

**Correct answer C**

1. The following factors determine the price of land as a factor of production. which one does not (2 MARKS)
2. Government policy
3. Availability of credit
4. Climatic conditions
5. Development of infrastructure

**Correct answer B**

1. Which one of the following is not a property of isoquants? (2 MARKS)
2. They are concave to the origin
3. They are asymptotic
4. They are negatively sloped
5. They are dense

**Correct answer A**

1. Which one of the following statements is cause of monopoly? (2 MARKS)
2. Collusion of firms
3. Competitive advertising
4. Super normal profits
5. Credit facilities

**Correct answer A**

1. The following are the adjustment to the output method of measuring national income. Which is not (2 MARKS)
2. Depreciation
3. Indirect taxes
4. Value added
5. Net factor income from abroad

**Correct answer C**

1. Which one of the following factors determine the rate of interest in an economy? (2 MARKS)
2. Availability of credit
3. Government policy
4. Rate of economic development
5. Level of foreign investments

**Correct answer A**

1. Which one of the following is not a non-monetary policy that is used to control inflation?

(2 MARKS)

1. Price control
2. Controlling government expenditure
3. Output adjustment
4. Controlling interest rates

**Correct answer D**

1. Which one of the following is an objective of minimum wage legislation? (2 MARKS)
2. Controlling inflation
3. Controlling brain drain
4. Controlling corruption
5. Controlling rural urban migration

**Correct answer D**

1. Identify a disadvantage of a country relying on foreign aid (2 MARKS)
2. Better trade relations
3. Increased production
4. Improved balance of payments
5. Increased overdependence

**Correct answer D**

1. Which one of the following is not a non-tariff in international trade? (2 MARKS)
2. Giving subsidies
3. Trade agreements
4. Custom duties
5. Foreign exchange control

**Correct answer C**

1. The following factors limit the success of economic integration in developing countries which is not (2 MARKS)
2. Unfair foreign competition
3. Existence or restrictions
4. Poor infrastructure
5. Level of technological development

**Correct answer D**

1. The demand function for a firm is given as p=50. Determine the marginal revenue function of the firm (2 MARKS)
2. MR= 50
3. MR=0.5Q
4. MR=50Q2
5. MR=50Q

**Correct answer A**