

CENTRAL UNIVERSITY



END OF FIRST SEMESTER EXAMINATION: 2017/2018

FACULTY OF ARTS AND SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

ECON 101(3 CREDITS)

INTRODUCTION TO ECONOMICS

LEVEL 100

MAY 2018

DURATION: 2 HOURS

STUDENT ID No.....

INSTRUCTIONS

ANSWER ALL QUESTIONS IN SECTION A AND ANY TWO IN B

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INVIGILATOR

Introduction to Economics I (ECON 101)

Section A, answer All Questions

- 1) Why do we study economics as a discipline?
 - a. Because there are economic solutions in life
 - b. Because there are economic problems in life
 - c. Because economics is a science
 - d. Because Adam Smith started it

- 2) Which of the following is not an economic want
 - a. If the Economics Lecturer wishes to buy a new car
 - b. If Tasty restaurant wishes to cook for all students at Miotso Campus
 - c. If an uneducated boy in Keta wishes to be on the moon
 - d. None of the above

- 3) All are Characteristics of wants except
 - a. Wants are limited in number
 - b. Wants differ in importance
 - c. Wants change over time
 - d. Resources to satisfy wants are limited

- 4) Which of the following categories of resources is natural resource
 - a. Land
 - b. Labour
 - c. Capital
 - d. Enterprise

- 5) Which of the following categories of resources is a manufactured resource
 - a. Land
 - b. Labour
 - c. Capital
 - d. Enterprise

- 6) Which of the following categories of resources is best described as human resource
 - a. Land
 - b. Labour
 - c. Capital
 - d. Enterprise

- 7) Which of the following is an example of land
 - a. Mineral and oil deposit
 - b. Machinery
 - c. Football Players
 - d. Money

- 8) Which of the following is an example of capital
- a. Mineral and oil deposit
 - b. Machinery
 - c. Football Players
 - d. Money
- 9) Which of the following is an example of labour
- a. Mineral and oil deposit
 - b. Machinery
 - c. Football Players
 - d. Money
- 10) Which of the following takes the initiative in combining the resources to produce goods and services
- a. Land
 - b. Labour
 - c. Capital
 - d. Enterprise
- 11) Land receives.....as income if supplied to produce goods and services
- a. Rent and Royalties
 - b. Wages and Salaries
 - c. Interest
 - d. Profit
- 12) Labour receives.....as income if supplied to produce goods and services
- a. Rent and Royalties
 - b. Wages and Salaries
 - c. Interest
 - d. Profit
- 13) Opportunity Cost is simply
- a. The alternative forgone
 - b. The best alternative forgone
 - c. The best forgone
 - d. None of the above
- 14) Decreasing opportunity cost explains why the PPC is
- a. Convex to the origin
 - b. Concave to the origin
 - c. Positively related
 - d. Linear

- 15) Constant opportunity cost explains why the PPC is
- Convex to the origin
 - Concave to the origin
 - Positively related
 - linear
- 16) One demerit of the Command Economy
- There is no consumer supremacy
 - Competition could lead to waste
 - There is no Central authority to protect property rights
 - Divergence between Private and Social cost
- 17) One advantage of the Command Economy
- Incomes may be equitably distributed
 - Supremacy of the consumer
 - There is variety of goods and free choice
 - Commodities are efficiently distributed
- 18) Offei's scale of preference helped him to
- Maximize his satisfaction
 - Maintain his satisfaction
 - Lower the absolute price of the items listed
 - Minimize the relative price of the item listed
- 19) All the following are other names for production possibility curve except
- Production Possibility Control
 - Production Possibility Frontier
 - Transformation curve
 - Production Possibility Boundary
- 20) Production Possibility curve is drawn based on the following assumptions except
- Two products are produced
 - All resources available are less utilized
 - Best technology available are employed
 - The given quantity of factors of production are fully used
- 21) Production Possibility curve can have the following shapes except
- 'Bell-out' shape
 - Straight line
 - Curve convex to the origin
 - Vertical and horizontal lines

- 22) Points on the Production Possibility curve are
- Inefficient points
 - Unattainable points
 - Efficient and unattainable points
 - Efficient and attainable points
- 23) Points inside the Production Possibility curve are
- Attainable and efficient
 - Attainable and unattainable
 - Inefficient and attainable
 - Inefficient and unattainable
- 24) Points outside the Production Possibility curve are
- Unattainable and inefficient
 - Unattainable and efficient
 - Unattainable points
 - Attainable and unattainable points
- 25) Assume the economy of Ghana finds itself on the Production Possibility curve (PPC) where it is producing 2 units of MTN and 4 units of TiGO (2M, 4T) at point A, if the economy decides to produce at point B where it is producing 3 units of MTN and 2 units of TiGO (3M, 2T), what is the opportunity cost of producing the extra MTN unit at point B?
- 2 units of MTN
 - 2 units of TiGO
 - 1 unit of MTN
 - 1 unit of TiGO
- 26) An institution that enables buyers and sellers to buy and sell a particular good or services is called
- A firm
 - An industry
 - A market
 - A factory
- 27) The pleasure or satisfaction an item gives to its owner is called
- Value in use
 - Value in exchange
 - Taste
 - Feelings

- 28) Scarcity of economic resources is
- a. the imbalance between unlimited resources and wants
 - b. the imbalance between unlimited resources and limited wants
 - c. the imbalance between limited resources and unlimited wants
 - d. the imbalance between limited resources and limited wants
- 29) Which of the following is a characteristic of wants?
- a. Wants are limited in number
 - b. Wants seldom change over time
 - c. Wants differ in importance
 - d. Resources to satisfy wants are always limitless
- 30) Which of the following identifies two features of economic resources?
- a. They are scarce and do not command a price
 - b. They are scarce and command a price
 - c. They are infinite and command a price
 - d. They are infinite and do not command a price
- 31) Society chooses which of theto satisfy with its.....
- a. Unlimited wants, limited resources
 - b. Limited wants, unlimited resources
 - c. Unlimited resources, limited wants
 - d. Limited resources, unlimited wants
- 32) The study of the total output of the economy or the general level of prices is the subject of
- a. Micro economics
 - b. Macro economics
 - c. Positive economics
 - d. Normative economics
- 33) The study of output in a particular industry or of a particular product is the subject of
- a. Micro economics
 - b. Macro economics
 - c. Positive economics
 - d. Normative economics
- 34) A.....statement explains what is, by offering a scientific proposition about economic behaviour that is based on economic theory and facts
- a. Micro economics
 - b. Macro economics
 - c. Positive economics
 - d. Normative economics

A.....statement explains what should, by reflecting about an economic policy or the economy.

- a. Micro economics
- b. Macro economics
- c. Positive economics
- d. Normative economics

36) Which of the following is a normative economic statement?

- a. The consumer price index rose by 5.6% last month
- b. The unemployment rate of 6.8% is too high
- c. The average rate of interest on loans is 8.6%
- d. The economy grew at an annual rate of 2.6%

37) Sandra states that "there is a high correlation between consumption and income". Arthur replies that the correlation occurs because "People consume too much of their income and do not save enough"

- a. Both Sandra's and Arthur's statements are positive
- b. Both Sandra's and Arthur's statements are normative
- c. Sandra's statements is positive and Arthur's statements is normative
- d. Sandra's statements is normative and Arthur's statement is positive

38) The law of increasing opportunity cost explains why the PPC is

- a. Convex
- b. Concave
- c. Linear
- d. Log-linear

39) The central problem in economics is

- a. choice
- b. wants
- c. scarcity
- d. opportunity cost

40) Which type of cost does not change during production period

- a. Total cost
- b. Variable cost
- c. Fixed cost
- d. None of the above

- 41) All are Characteristics of indifference curves except
- Dense everywhere
 - Concave upwards
 - Do intersect
 - Converse to the origin
- 42) Which of the following categories of resources is referred to as manager
- Land
 - Labour
 - Capital
 - Enterprise
- 43) The marginal rate of substitution is the slope of the
- Isocost
 - Isoquant
 - Indifference curve
 - Budget line
- 44) The marginal rate of technical substitution is the slope of the
- Budget line
 - Isocost
 - Isoquant
 - Enterprise
- 45) Desire backed by ability to pay is
- supply
 - want
 - effective demand
 - Money
- 47) Which of the following is an example of Land in economics
- trees
 - Machinery
 - Football Players
 - buildings
- 48) A market structure with a fixed price is
- monopoly
 - duopoly
 - Oligopoly
 - Perfect competitive

Demand differ from wants in that

good

- a. wants require a plan to acquire a good but demand require no such plan to acquire the good
- b. demand is unlimited in number, whereas wants are limited by income of the consumer
- c. demand reflect wants and a plan to buy the good, while wants are unlimited and involve no specific plan
- d. wants imply a decision about interest

50) If at a given moment, no matter what the price, producers cannot change the quantity supplied, the momentary supply

- a. has unit elasticity
- b. has zero elasticity
- c. has infinite elasticity
- d. does not exist

51) The basic unit of production is a

- a. industry
- b. firm
- c. supply
- d. shop

52) A catalogue of wants in order of priority is

- a. The alternative forgone
- b. Scale of preference
- c. choice
- d. None of the above

53) Public goods have this feature

- a. Very cheap
- b. Non excludable
- c. Resources are fully used
- d. Sold in the market

54) Which of the following can be defined as the process of using economic resources to manufacture output?

- a. Distribution
- b. Production
- c. Exchange
- d. All of the above

- 55) indifference curves
- a. Convex to the origin
 - b. Concave to the origin
 - c. Positively related
 - d. Linear
- 56) One merit of the price system is that
- a. There is consumer supremacy
 - b. Competition could lead to waste
 - c. There is no Central authority to protect property rights
 - d. Divergence between Private and Social cost
- 57) Microeconomics is the study of decision making behavior of
- a. group of individuals
 - b. an individual economic entity
 - c. society as a whole
 - d. government of a state
- 58) A good has economic value when it is
- a. Cheaply produced
 - b. Relatively scarce
 - c. Stable in price
 - d. Produced in abundance
- 59) Which of the following auditions makes an approximate definition of "market"?
- a. It is a meeting place for buyers and sellers.
 - b. The buyers and sellers of a specific product
 - c. The context which allow buyers and sellers to transact Shares.
 - d. The place where goods are displayed
- 60) Economics is a social science because it study
- a. ends and wants
 - b. scarcity and choice
 - c. human behavior
 - d. means and opportunity cost

Section B, Answer Any Two Questions

1 a) what is minimum wage. (4 marks)

b) Explain four reasons for fixing the minimum wage. (2 marks each)

c) Explain four effects of fixing the minimum wage. (2 marks each)

2) The table below is a hypothetical short run production function. Use it to answer the questions below.

Fixed Input	Variable Input	Total Product
10	1	8
	2	20
	3	42
	4	68
	5	94
	6	108
	7	120
	8	120
	9	108
	10	80

a. Compute the fixed input/ Average product/ Marginal Product for the various levels. (10 Marks)

b. Indicate the stages of production in which there are;

i. Increasing returns to an input (2 Marks)

ii. Constant returns to an input (2 Marks)

iii. Diminishing returns to an input (2 Marks)

c. What is the meaning of maximum total product? (2 Marks)

d. What is the meaning of falling total product? (2 Marks)

3 a) Define supply. (3 Marks)

b) Explain three determinants of Supply. (3 Marks each)

c) Distinguish between change in Supply and Change in quantity Supplied. (8 Marks)

4) a) Define Price Elasticity of Demand. (4 Marks)

b) Explain four determinants of Price Elasticity of Demand. (2 Marks each)

c) Explain four Types of price Elasticity of Demand. (2 Marks each)