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**FACULTY OF ARTS AND SOCIAL SCIENCES**

**DEPARTMENT OF ECONOMICS**

**ECON 102 (3 CREDITS) LAW RESIT**

**INTRODUCTION TO ECONOMICS (LAW STUDENTS**

**LEVEL 100**

**ONLY)**

**MARCH, 2017**

**TIME ALLOWED: 2 HOURS**

**STUDENT ID No.....**

## **INSTRUCTIONS**

**ANSWER QUESTION ONE AND THREE OTHER QUESTIONS**

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THE INVIGILATOR**

**LECTURER: Rev. Godson Ahiabor**

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INTRODUCTION TO ECONOMICS: ECO 102

ATTEMPT ALL QUESTIONS IN SECTION

Time: 2 Hours Resit Law

- (1) Microeconomics analyses household and firms' behavior whiles macroeconomics studies
- (a) Firms                      (b) Individuals                      (c) Markets                      (d) Aggregate
- (2) In the study of the macro economy input variable are factors which affect the performance of the economy
- (a) Negatively                      (b) Positively                      (c) negatively or positively  
(d) neither positively nor negatively
- (3) In the study of the macro economy, what constitutes input variables?
- (a) External factors (b) micro policies  
(c) macro policies (d) all the above
- (4) Macro policy does not include
- (a) Price controls (b) fiscal policy  
(c) exchange rate policy (d) monetary policy
- (5) micro policy does not include;
- (a) labour legislation (b) fiscal policy  
(c) privatization (d) price controls
- (6) Output variables does not include;
- (a) Economic growth (b) economic stability  
(c) reduction in unemployment (d) liberalization
- (7) The following are the approaches to measuring national income except;
- (a) Income approaches (b) expenditure approach  
(c) output approach (d) goods approach

- (8) Net Domestic Product (NDP) is
- (a) Gross Domestic Product minus foreigners' income
  - (b) Gross Domestic Product minus depreciation
  - (c) Gross Domestic Product minus taxes
  - (d) Gross Domestic Product minus subsidies
- (9) National income is calculated at
- (a) Market prices (b) constant prices (c) factor cost (d) price index
- (10) Value added is the extra ..... added to a product
- (a) Wealth (b) money (c) value (d) worth

Given that  $C = a + byd$ . Answer the following questions that follow.

- (11) Which variable is the dependent variable?
- (a) b (b)  $yd$  (c) c (d) a
- (12) ) Which variable is the dependent variable?
- (a) b (b)  $yd$  (c) c (d) a
- (13) What is b?
- (a) Autonomous consumption
  - (b) Average propensity to consume
  - (c) Marginal propensity to consume
  - (d) Marginal propensity to save
- (14) One measure used in measuring standard of living is
- (a) Per capita income
  - (b) Per capita income
  - (c) Price index
  - (d) Gross domestic product
- (15) Inter temporal comparison involves measuring national income
- (a) between countries (b) over times of the same country
  - (c) at constant prices (d) at factor cost
- (16) An economic model  $Y = C + I$  is
- (a) an open economy without Government activity
  - (b) national income formula (c) a close economic

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- (c) (d) a close economy with government activity
- (17) Investment as a component of aggregate expenditure does not include  
(a) housing construction (b) purchase of machinery  
(c) additions to a firm's inventory (d) buying of bonds
- (18) Economic growth can only occur when  
(a) gross investment increase (b) net investment increases  
(c) a fall in gross investment (d) a fall in net investment
- (19) An injection in the form of increase in government expenditure would lead to  
..... In national income  
(a) increase (b) decrease (c) constant (d) leakage
- (20) Spendings that lead to a decrease in the flow of national income is known ....  
(a) injection (b) leakages (c) deficit (d) government expenditure
- (21) Which of the following constitutes a leakage in the national income.  
(a) investment (b) Government expenditure (c) exports (d) savings
- (22) What would be the effect of an increase in taxes by government on the  
national income equilibrium.  
(a) more revenue received (b) there would be no effect  
(c) lower equilibrium national income (d) would bring about a multiplier  
effect
- (23) An inflationary gap occurs when aggregate expenditure exceeds .....  
(a) underemployment (b) national income  
(c) full employment level of output (d) inflation.
- (24) A situation when the unemployment rate is equal to the natural rate of  
unemployment is known as  
(a) equilibrium (b) full employment (c) underemployment  
(d) optimum employment
- (25) In equilibrium the real output may not be equal to the full employment output  
level. It could be lower or higher when this happens the gap is either an  
inflationary or  
(a) surplus (b) deficit (c) recessionary (d) non equilibrium
- (26) (26) An inflationary Gap can be closed through .....

- (a) exchange rate policy                      (b) expansionary fiscal policy  
(c) Macroeconomic policy                      (d) contraction fiscal policy
- (27) When the government cuts down on public expenditure which leads to a fall in the national income is referred to as .....
- (a) Monetary policy                      (b) expansionary fiscal policy  
(c) exchange rate policy                      (d) contractionary fiscal policy
- (28) The accelerator principle indicates that net investment takes place only when ..... is increasing
- (a) consumption                      (b) savings                      (c) exports                      (d) output
- (29) The theory that a change in the rate of output induces a change in the demand for investment in the same direction is the .....
- (a) multiplier                      (b) demand theory                      (c) inflationary gap                      (d) accelerator principle
- (30) The alternate increase or decrease in the level of economic activities in a century are a period of time is known as .....
- (a) economic growth                      (b) fluctuations                      (c) business cycle  
(d) stagnation
- (31) When the level of economic activities in a country gets to the highest point or level on the growth path is referred to as
- (a) trough                      (b) peak                      (c) expansion                      (d) economic growth
- (32) The type of unemployment which is referred to as search and wait unemployment can also be called
- (a) structural                      (b) cyclical                      (c) seasonal                      (d) frictional
- (33) The type of unemployment which leads to changes in technology and demand patterns requiring acquisition of new skills is known as
- (a) residual                      (b) frictional                      (c) structural                      (d) cyclical
- (34) In an economy where the actual unemployment rate is less than the natural rate of unemployment, then the economy is said to be.
- (a) in disequilibrium                      (b) overheated                      (c) having inflation  
(d) recessionary gap
- (35) Which of the following is not a function of Money

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- (a) medium of exchange (b) measure of value (c) store of value  
(d) general acceptability
- (36) Which of the following is not one of the good qualities of money  
(a) durable (b) store of value (c) stability (d) portability
- (37) Which of the following is not a motive for holding money  
(a) precautionary (b) Demand for food (c) transactionary  
(d) speculative
- (38) Supply of money is  
(a) The amount of money in circulation  
(b) The amount of money in circulation  
(c) The amount of money the government is given out.
- (39) Which of the following is regarded as the liquid of all assets  
(a) cash (b) I horses (c) cheques (d) treasury bills
- (40) Which institution in Ghana is responsible for the issuing and redemption of currencies in Ghana  
(a) commercial Banks (b) central bank (c) insurance companies  
(d) stock exchange

~~(d) insurance companies~~

Section B

Answer Three Questions Only

1. What is demand for money ? Explain Three Motives for holding money.
2. What is Inflation. Explain Four Causes of Inflation.
3. Define National Income. Explain Four Importance of national income.
4. Define unemployment. Explain three types of unemployment in Ghana.
5. Define Supply of money. Explain four Functions of Money.

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