

# CENTRAL UNIVERSITY



## END OF FIRST SEMESTER EXAMINATIONS

FACULTY OF ARTS AND SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

ECON 303 (3 CREDITS)

ECONOMY OF GHANA

LEVEL 300

JANUARY, 2017

DURATION: 2 HOURS

STUDENT ID No.....

### INSTRUCTIONS

ANSWER ANY <sup>FOUR</sup>~~THREE~~ QUESTIONS

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THE INVIGILATOR**

LECTURER: DAVIS ADU LARBI

## **ANSWER ANY THREE QUESTIONS**

### **QUESTION ONE**

Monetary policy in Ghana aims mainly at regulating the supply of narrow money with the prime target being price stability. Explain what is meant by monetary policy in Ghana and four instruments used by the Bank of Ghana to implement monetary policy.

**(20 marks)**

### **QUESTION TWO**

- a. Identify and explain four ways by which the Government of Ghana finances its budget deficits.
- b. Mention and explain four reasons why government expenditure has risen consistently over the years

### **QUESTION THREE**

- a. With relevant facts and figures, identify and explain four problems of the industrial sector of Ghana **(10 marks)**
- b. Suggest ways by which the problems enumerated in (a) above can be solved.

**(10 marks)**

### **QUESTION FOUR**

The diversification of the Ghanaian economy from an agrarian one to an industrial based one has been fraught with many challenges. Identify four key challenges and suggest solutions by which they can be overcome.

## QUESTION FIVE

The budget statement by the Government of Ghana for the 2014 financial year presented the fiscal situation of the country, extracts of which are summarized in the table below. Use the information provided in the table to answer the questions that follow.

### SUMMARY OF EXTRACTS OF REVENUE AND EXPENDITURE ESTIMATES FOR 2014

| REVENUE                              | AMOUNT (GH¢M) | EXPENDITURE                      | AMOUNT (GH¢M) |
|--------------------------------------|---------------|----------------------------------|---------------|
| Domestic Revenue                     | 24,871.2      | Total Expenditure                | 31,749.5      |
| Tax Revenue                          | 20,351.1      | Compensation to employees        | 10,597.3      |
| Taxes on Income and Property         | 9,238.3       | Use of goods and services        | 1,529.5       |
| Taxes on domestic goods and services | 7,061.7       | Interest payments                | 6,178.6       |
| International Trade Taxes            | 4,051.1       | Subsidies                        | 50.0          |
| Non Tax Revenue                      | 4,358.7       | Grants to other government units | 6,513.9       |
| Others                               | 161.4         | Capital expenditure              | 5,967.3       |
| Grants                               | 1,130.7       | Others                           | 912.8         |

Note: Take the Gross Domestic Product (Nominal) of the country to be GH¢80bn

- Calculate the total revenue expected for the year 2014 **(2 marks)**
- Calculate the total domestic revenue expected for the year **(2 marks)**
- What percentage of the total revenue is the domestic revenue? **(4 marks)**
- What is the total fiscal deficit/surplus expected for the year 2014? **(4 marks)**
- What percentage of the GDP is the budget deficit/surplus? **(4 marks)**
- Explain two ways by which the deficit/surplus can be financed **(4 marks)**

### QUESTION SIX

The following is an extract on some of the items of the balance of payment of Ghana in 2015. Use the data to answer the questions that follow.

| ITEMS OF TRANSACTION | RECEIPTS (¢GH) | PAYMENTS (¢GH) |
|----------------------|----------------|----------------|
| Timber               | 100,000        | 70,000         |
| Cola                 | 70,000         | 30,000         |
| Diamond              | 80,000         | 50,000         |
| Banana               | 50,000         | 20,000         |
| Shipping             | 150,000        | 20,000         |
| Tourism              | 200,000        | 100,000        |
| Consultancy          | 80,000         | 120,000        |
| Gold                 | 100,000        | 80,000         |
| Crude Oil            | 200,000        | 185,000        |
| Banking              | 120,000        | 140,000        |
| Insurance            | 40,000         | 150,000        |
| Short term loans     | 80,000         | 40,000         |
| Long term loans      | 120,000        | 30,000         |
| Repatriated profits  | 80,000         | 200,000        |
| Investments          | 200,000        | 50,000         |
| Grants               | 50,000         | 20,000         |

- a. The balance of trade (3 marks)
- b. The balance on invisible trade (3 marks)
- c. Current account balance (5 marks)
- d. Capital account balance (3 marks)
- e. Balance of Payments (6 marks)