



**CENTRAL
UNIVERSITY**

FAITH • INTEGRITY • EXCELLENCE

RESIT EXAMINATIONS (JANUARY 2018/19)

**FACULTY OF ARTS AND SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS**

ECON 303: ECONOMY OF GHANA

(LEVEL 300)

Time Allowed: 3 Hours

Instructions:

1. Answer ALL questions in Section A.
2. Answer ONLY TWO in Section B.
3. All solutions must be presented in the answer booklet

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THE INVIGILATOR**

Name of Examiner: GEORGE HUGHES

SECTION A: ANSWER ALL QUESTIONS IN THIS SECTION

1. Which of the following cannot be considered as an objective of industrialization in Ghana?
 - A. Modernization of the economy
 - B. Employment generation
 - C. Diversification of the economy
 - D. Investment degeneration

2. Which of the following is not a monetary policy instrument used in Ghana?
 - A. Hedging of crude oil prices
 - B. Open Market Operations
 - C. Reserve ration
 - D. Discount rate

3. In terms of the time dimension of economic plans, the Government of Ghana's 2016 budget is
 - A. Medium term plan
 - B. An annual plan
 - C. A long term plan
 - D. None of the above

4. Which of the agro-ecological zones in Ghana better supports the production of food crops?
 - A. The high rain forest
 - B. The Guinea Savannah
 - C. The Coastal Savannah
 - D. The Forest Savannah Transition

5. In which of the income brackets does Ghana belong following the rebasing of the national income estimations
- A. Low income
 - B. Low middle income
 - C. High middle income
 - D. High income
6. Which of the national income approaches reveals the extent of structural change in Ghana?
- A. Expenditure approach
 - B. Product approach
 - C. Income approach
 - D. Expenses approach
7. Ghana trades with other countries on the international stage because
- A. Foreign goods are of higher quality
 - B. Ghanaian exports are of high demand internationally
 - C. Different factor endowments and different comparative advantages
 - D. Imports are of high demand locally
8. The services sector of the economy of Ghana is made of up of the following sub-sectors except
- A. Banking and insurance
 - B. Travel and tourism
 - C. Electricity and water
 - D. Telecommunications

9. The price of Ghana's exports in relation to its imports is known as
- A. The terms of trade
 - B. The balance of trade
 - C. The balance of payments
 - D. The terms of payments
10. If the price of Ghana's imports is higher in relation to the price of her exports, then
- A. Ghana has favourable terms of trade
 - B. Ghana has an unfavourable balance of trade
 - C. Ghana has an unfavourable terms of trade
 - D. Ghana has an unfavourable balance of payments
11. The major policy document through which the Government of Ghana spells out its fiscal policy is
- A. The national budget
 - B. The balance of payments
 - C. The national income accounts
 - D. The monetary policy
12. Which of the following is not a component of the balance of payments accounts in Ghana?
- A. The current account
 - B. The deficit/surplus account
 - C. The capital account
 - D. The official reserve

13. Which of the following is not an objective of monetary policy in Ghana?

- A. Price instability
- B. Economic growth
- C. Savings mobilization
- D. External stability

14. The instruments of monetary policy in Ghana include all but one of the following

- A. Moral suasion
- B. The reserve ratio
- C. Open money operations
- D. Direct credit control

15. Government of Ghana uses monetary instruments to influence the following except

- A. Price level
- B. Economic growth
- C. Fiscal Policy
- D. Balance of payments

16. The activities of the Bank of Ghana includes all but one of the following

- A. Financial regulation and supervision
- B. Implementation of monetary policy
- C. Preparation of the budget statement
- D. Provision of banking services

17. Petroleum taxes in Ghana are examples of
- A. Indirect taxes
 - B. Direct taxes
 - C. Corporate taxes
 - D. Non tax revenue
18. With respect to the Government of Ghana, the Bank of Ghana performs the following functions except
- A. Management of the national budget
 - B. Management of the national debt
 - C. Agent of Government in foreign exchange market operations
 - D. Production and distribution of currency
19. The sources of tax revenue for the Government of Ghana does not include
- A. Petroleum taxes
 - B. Property rates
 - C. Grants and loans
 - D. Corporate taxes
20. The summary of Ghana's total payments and total receipts for international economic transactions in a year is known as
- A. Balance of payments
 - B. Terms of trade
 - C. Fiscal policy
 - D. Balance of trade

21. Which of the following is not a reason why taxation is the major source of revenue in Ghana?
- A. It has a narrow base
 - B. Its sources are more reliable
 - C. Indirect taxes are difficult to evade
 - D. Indirect taxes are easy to collect
22. The difference between Ghana's export and import of merchandise is known as
- A. Balance of trade
 - B. Terms of trade
 - C. Trade deficit
 - D. Trade surplus
23. Which of the following is not an example of bank financial institutions in Ghana?
- A. Unique trust bank
 - B. Ghana Commercial Bank
 - C. Pro Credit
 - D. Unique trust financial services
24. Which of the following is/are indicator(s) of structural change in Ghana?
- I. The different ownership forms; the shares of the state, cooperatives and private sectors.
 - II. The labour force pattern which can be classified by different sectors and branches
 - III. Pattern of fixed assets and investments by branches and types of capital goods
- A. I and II
 - B. I and III
 - C. II and III
 - D. I, II and III

25. Which of the following is not an agro-ecological zone in Ghana?

- A. High rain forest
- B. The Guinea Savannah
- C. The Sudan Savannah
- D. The Sahel Savannah

26. A decrease in the rate of Ghana's inflation from 10% to 9.3% implies that

- A. The general price level is falling at a slower rate
- B. The general price level is rising at a slower rate
- C. The prices of some commodities are falling
- D. The prices of some commodities are rising

27. The exports of Ghana consists mostly of

- A. Capital equipments
- B. Invisible items
- C. Primary raw materials
- D. Manufactured goods

28. Which of the following is not a function of the national budget of Ghana?

- A. To reduce equalities in income
- B. To control inflation
- C. To mobilize resources for development
- D. To promote growth

29. A reduction in Ghanaian foreign asset is an example of

- A. Capital outflow
- B. Capital inflow
- C. Inflow
- D. Outflow

30. The domestic sources of financing a deficit budget in Ghana do not include

- A. Requesting the central bank to print more money
- B. Borrowing from the banking system in Ghana
- C. Issuing stocks and securities
- D. Suppliers credit

31. A surplus in Ghana's balance of payment will lead to

- A. Decrease in foreign asset
- B. Increase in foreign asset
- C. Government budget surplus
- D. Increase in foreign reserves

32. Government of Ghana's expenditure items based on its priorities and the availability of funds are classified as

- A. Statutory expenditure
- B. Discretionary expenditure
- C. Capital expenditure
- D. Diversionary expenditure

33. Which of the following does not constitute statutory payment by government of Ghana?

- A. District assemblies common fund
- B. Social security payments
- C. Salaries of public sector employees
- D. Ghana educational trust fund

34. Government of Ghana's expenditure items that are mandatory in nature are known as

- A. Statutory expenditure
- B. Discretionary expenditure
- C. Capital expenditure
- D. Recurrent expenditure

35. Expenses by government of Ghana on items such as roads, irrigation, dams etc are collectively called

- A. Recurrent expenditure
- B. Statutory expenditure
- C. Capital expenditure
- D. Durable expenditure

36. The largest sub sector in Ghana's agricultural sector is

- A. Fisheries
- B. Livestock
- C. Forestry
- D. Crops

37. Salaries or compensation to public sector workers is an example of

- A. Capital expenditure
- B. Recurrent expenditure
- C. Statutory expenditure
- D. Social services expenditure

38. The problem of small acreage of farms in the agric sector of Ghana is caused by the following except

- A. The system of land ownership
- B. Reliance on family labour
- C. Mechanized farming
- D. The system of shifting cultivation

39. When the net of current and capital account equals zero,

- A. The balance of payment is in surplus
- B. The balance of payment is in deficit
- C. The balance of payment is in equilibrium
- D. None of the above

40. In which period of the Ghana's history was the Economic Recovery Programme implemented?

- A. 1981-1983
- B. 1983-1986
- C. 1986-1989
- D. 1990-1993

41. The institution of state responsible for the estimation of the national income accounts in Ghana is

- A. Statistical Service
- B. Institute of Statistical Research
- C. Institute of Economic Affairs
- D. Department of Economic Statistics

42. The targeted year for the attainment of the millennium development goals originally was

- A. 2012
- B. 2013
- C. 2014
- D. 2015

43. The characteristics of the industrial sector of Ghana includes the following except

- a. Substantial indigenous ownership
- b. Labour intensiveness
- c. Urban centeredness
- d. Inadequate managerial expertise

44. The reasons why plans have failed in Ghana does not include

- a. Inadequate statistical data
- b. Political stability
- c. Inadequate financial base
- d. Any of the above

45. If a development plan for the Ghanaian economy is to last between the year 2015-2020, the plan is

- a. An annual plan
- b. A medium term plan
- c. A macro plan
- d. A long term plan

46. A deliberate effort by the government of Ghana to intervene in the economy to achieve a predetermined set of economic objectives is known as

- A. Economic growth
- B. Economic development
- C. Economic planning
- D. Economic diversification

47. The biggest item on Government's discretionary expenditure currently in Ghana is

- A. Wages and salaries of public sector workers
- B. Statutory payments
- C. Getfund payments
- D. Road infrastructure

48. The major causes of inflation includes all but one of the following

- A. Petroleum price increase
- B. Food supply shortages
- C. Money supply decreases
- D. Currency depreciation

49. The overall broad budget balance of the Government of Ghana includes

I. Domestic primary balance II. Foreign assistance III. Trade surplus IV.
Merchandise trade

- A. I only
- B. II only
- C. I and II
- D. III and IV

50. The difference between domestic current revenue and non-debt expenditure in Ghana is called

- A. The budget balance
- B. The domestic primary balance
- C. The balance of payments
- D. The domestic trade balance

51. When Government of Ghana's actual revenue exceeds actual expenditure, we have

- A. Balance of payment deficit
- B. Balance of payment surplus
- C. Budget deficit
- D. Budget surplus

52. The summary of Ghana's total payments and total receipts for international economic transactions in a year is known as

- A. Balance of payments
- B. Terms of trade
- C. Fiscal policy
- D. Balance of trade

53. Which of the following is not an objective of monetary policy in Ghana?

- A. Price instability
- B. Economic growth
- C. Savings mobilization
- D. External stability

54. Which of the following is not a component of the balance of payments accounts in Ghana?

- A. The current account
- B. The deficit/surplus account
- C. The capital account
- D. The official reserve

55. Fiscal developments in Ghana are composed mainly of

- A. Exports and imports
- B. Government revenue and expenditure
- C. Merchandise trade
- D. National income estimation

56. If Ghana borrows \$3bn from the government of China, it will be recorded in

- A. Current account of the balance of payments
- B. Balance of trade
- C. Capital account of the balance of payment
- D. Compensatory monetary movement

57. If the Bank of Ghana wants to reduce the quantity of narrow money in circulation, it will

- A. Reduce the discount rate
- B. Reduce the reserve ratio
- C. Sell bills and securities to the public
- D. Print and distribute more money

58. Long term plans in Ghana are also known as

- A. Perspective plans
- B. Indicative plans
- C. Annual plans
- D. Partial plans

59. The balance of payments of Ghana is a financial statement of transactions between a Ghana and

- A. All other countries
- B. Its neighbours
- C. Its own people
- D. Very distant countries

60. The largest sub sector in Ghana's agricultural sector is

- A. Fisheries
- B. Livestock
- C. Forestry
- D. Crops

SECTION B: ANSWER ANY TWO QUESTIONS FROM THIS SECTION

QUESTION ONE

With relevant facts and figures, identify and explain four problems of the Industrial sector of Ghana **(20 marks)**

QUESTION TWO

State and explain five (5) reasons which have contributed to the tremendous growth of public expenditure in Ghana over the years **(20 marks)**

QUESTION THREE

The problem with the Ghanaian economy is not the lack of planning but the lack of implementation of plans. Explain five (5) reasons why successive economic plans can be said to have failed in Ghana.

(20 marks)

QUESTION FOUR

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)