

OBAFEMI AWOLOWO UNIVERSITY, ILE-IFE 2006 POST-UME TEST

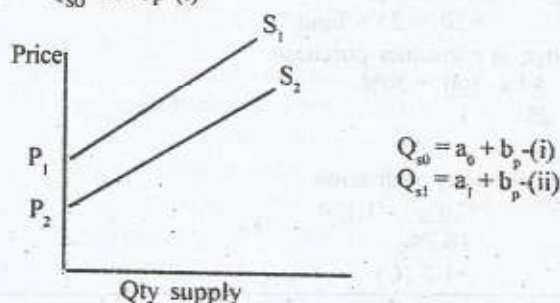
- The only essential attribute of a good currency is
(a) Scarcity (b) Homogeneity
(c) Acceptability (d) Cognizability
- What happens to a supply curve when the variables that are normally held constant are allowed to change?
(a) the curve flattens out
(b) there is a movement along the curve
(c) the curve shifts d. the curve becomes steeper
- If the price of Pepsi decreases relative to the price of the coke and 7-up the demand for
(a) Coke will decrease
(b) 7-up will decrease
(c) Coke and 7-up will increase
(d) Coke and 7-up will decrease
- Suppose wages paid by firm increase what would reasonably be expected to happen to the equilibrium price and equilibrium quantity for the firm's output?
(a) Price increases; quantity decreases
(b) Price decreases; quantity decreases
(c) Price decrease; quantity increases
(d) Price increases; quantity increases
- The multiplier is always the reciprocal of
(a) MPC (b) MPS (c) APC (d) APS
- If the marginal Propensity to save is 0.4 and consumption expenditure changes by ₦10 million, the equilibrium level of income will change by
(a) ₦ 15.0 million (b) ₦ 4.0 million
(c) ₦ 2.5 million (d) ₦ 25 million
- Economic freedom is brought about by the existence of
(a) Government (b) Money
(c) Availability of credit (d) Choice
- Which of the following is the best general definition of study of economics?
(a) The best way to invest in the stock market
(b) Business decision making under foreign competition
(c) Individual and social choice
(d) Inflation and unemployment in a growing economy
- What implication does resources scarcity have for the satisfaction of wants?
(a) Not all wants can be satisfied
(b) We will never be faced with the need to make choices
(c) We must develop ways to decrease our individual wants
(d) The discovery of new resources
- In economics, rational decision-making requires that:
(a) One's choices be arrived at logically and without error
(b) One's choices be consistent with one's goal
(c) One's choices never vary
(d) One make choices that do not involve trade-offs
- A deficit budget is usually drawn up during
(a) Economic buoyancy (b) inflationary period
(c) war time (d) economic recession
- A drawer of a Cheque is the
(a) Person who is to paid
(b) bank on which the Cheque is drawn
(c) person who write out the Cheque
(d) bank officials who certifies the payment
- The liability of a sole trader is
(a) Indeterminate (b) Unlimited
(c) limited (d) Transferable
- Which of the following is regarded as fixed cost?
(a) Cost of raw materials (b) labour wages
(c) rent on land (d) cost of light
- Which of the following is not a member of OPEC?
(a) Indonesia (b) Iran
(c) Venezuela (d) Egypt
- The creation of utility can be referred to as
(a) value added
(b) profit marginalization
(c) production (d) entrepreneurship
- The production within the domestic territory of a country is called the
(a) Net national product (b) Gross domestic product
(c) Disposable income (d) Gross national product
- Suppose a consumer's income increases from ₦30, 000 to ₦36, 000. As a result, the consumer increases her purchases of compact discs (CDS) from 25 CDS to 30 CDS. What is consumer's income elasticity of demand for CDS?
(a) 0.5 (b) 1.0 (c) 1.0 (d) 1.5
- When a nation's exports are greater than its import
(a) the net foreign trade is zero
(b) an unfavorable balance of payments exists
(c) a favorable balance of trade exist
(d) a favorable balance of payment exists
- Inflation is likely to benefit
(a) Persons with bank savings
(b) persons who live on fixed pension funds
(c) creditors (d) debtors
- For which market model is there a very large number of firms?
(a) Monopolistic market competition (b) Oligopoly
(c) pure monopoly (d) pure competition
- Which of the following is an economic cost?
(a) uninsurable risk (b) normal profit
(c) economic profit (d) monopoly profit
- Which tends to be a progressive tax in Nigeria?
(a) Income tax (b) property tax (c) sales tax (d) import tax

ANSWER KEY

- | | | | | | | | | | |
|---|---|----|---|----|---|----|---|----|---|
| 1 | C | 6 | C | 11 | D | 16 | C | 21 | A |
| 2 | C | 7 | B | 12 | A | 17 | B | 22 | A |
| 3 | D | 8 | C | 13 | B | 18 | C | 23 | A |
| 4 | D | 9 | A | 14 | C | 19 | C | | |
| 5 | B | 10 | B | 15 | D | 20 | D | | |

EXPLANATION TO ANSWERS

- A good money must be generally accepted as a means of exchange. (C)
- $Q_{s0} = a_0 + b_p \cdot (-i)$



- A change in fixed factors leads to a change in intercept from Q_0 to Q_1 and consequently a shift in curve (C)
- 3 They are all substitute goods. If the price one substitute goods decrease, the demand for other substitute goods will decrease. (D)
- 4 An increase in wage paid will lead to increase in cost of production which invariably leads to shift in supply curve to left. Therefore, the price will increase and as a result of that the quantity demanded will fall. (A)
- 5
$$\frac{1}{1 - MPC} = \frac{1}{MPS}$$

Therefore the multiplier is reciprocal of mps. (B)
- 6
$$\frac{1}{MPs} \times N10m$$

$$\frac{1}{0.4} \times 10 = N25m$$
 (D)
- 7 It is through money that an effective choice can be made. (C)
- 8 Economics is studied in order to educate the individual and country at large on how to make choice base on existence of scarcity of resources to satisfy human wants. (C)
- 9 It means that not all wants can be satisfied, that is why an economist needs to make choice of the wants to be satisfied. (A)
- 10 Rational decision making in economics means that choices must be made base on wants to be satisfied. (B)
- 11 Deficit budget is drawn up during deflationary period so as to sustain the economy of a nation. (D)
- 12 A drawer is a person who is authorized to be paid by the bank. (A)
- 13 The liability of a sole trader is unlimited because if the sole trader business folds up, the owner will loose his/her capital including personal property to pay up outstanding debt. (B)
- 14 Fixed cost is the expenses on fixed asset which does not change due to increase in production over a period of time, except during the long run, where all factors of production are variable. (C)
- 15 Iran and Venezuela are major founding- members while Indonesia and Syria joined later. Egypt is not a member (A)
- 16 Production is the creation of utility. Production of goods and services are meant to satisfy human wants. (C)
- 17 Gross Domestic product is the total monetary value of goods and services produce in the country, by both citizens and foreigners, within a given period of time, usually a year. (B)
- 18 Change in consumer income = $N36,000 - 30,000 = N6,000$
% change in consumer income
$$= \frac{6,000}{30,000} \times 100 = 16.7\%$$

Change in consumer purchase
$$= 30 - 25 = 5 \text{ unit}$$

%change in consumer purchase
$$= \frac{5}{25} \times \frac{100}{1} = 20\%$$

Income elasticity of demand
$$= \frac{20\%}{16.7\%} = 1.198$$

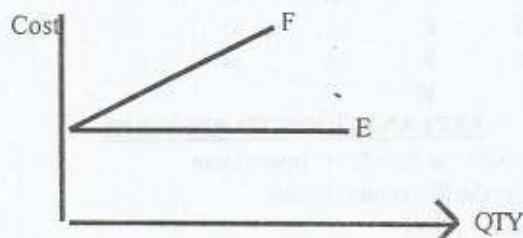
$$= 1.2$$
 (C)

- 19 If the average export prices increase relatively to the average import prices, the terms of trade are favorable. (C)
- 20 It benefits the debtors because during the inflationary period the value of money will reduce in term of its purchasing power. (D)
- 21 Monopolistic market competition is market structure characterized by numerous firms selling similar but differentiated products. (A)
- 22 The real economic cost is opportunity cost which is risk or cost is forgone. (A)
- 23 Income tax is progressive because the higher you earn the higher tax you pay. (A)

OBAFEMI AWOLOWO UNIVERSITY, ILE-IFE
2007 POST-UME SCREENING TEST

1. Economics is founded on the principle that:
a. Human wants are more than human needs
b. materials things are more than human wants
c. human want are limitless while the means to satisfy them are limited
d. human needs are easy to define
2. The capitalist economic system is characterized by all the following except:
a. Private ownership of the means of production
b. equitable distribution of income and wealth
c. Capital accumulation
d. markets and prices coordinate economic activities
3. If the equation relating consumption (C) to income (Y) is $C = N7,500 + 0.2Y$ then
a. Consumption is inversely related to income
b. consumption is the independent variable and income is the dependent variable
c. if income is $N15,000$, the consumption is $N10,500$
d. if consumption is $N30,000$, then income is $N10,000$

4. The reason for the law of demand can best be explained in terms of:
a. supply
b. complementary goods the rationing function of prices
c. diminishing marginal utility
d. diminishing marginal utility
5. The demand curve for the pure monopolist is
a. perfectly price elastic
b. perfectly price inelastic
c. downsloping
d. upsloping
6. Which of the following statement is correct? The Central Bank
a. prints the country's currency
b. handles the collection of debts owed to the government
c. lends money to businessmen
d. issues the country's currency
7. Which of the following is not a basic assumption underlying the theory of consumer behaviour
a. consumers prefer more to less
b. consumers are rational
c. consumers are willing to make choices
d. consumers make consistent choices
8. The slope of the budget constraint
a. changes as the marginal rate of satisfaction changes
b. is the ratio of the prices of the two goods
c. is the ratio of the budget of total utility
d. equals one, since the consumer can buy combination along the budget constraint
9. Disposable income equals
a. personal income less business profit
b. personal income less taxes and subsidies
c. personal income less taxes plus subsidies
d. National income plus transfer payment
10. The 'term of trade' means
a. the trade agreement between two countries
b. the difference in the volumes of export of two countries
c. the value of a unit of export in relation to the value of a unit of import
d. none of the above
11. The burden of tax on a commodity whose demand is infinitely inelastic
a. is zero
b. will be borne by seller alone
c. will be borne by buyers alone
d. is impossible to tell
12. Inflation can be curbed by
a. increasing aggregate demand
b. paying higher wages
c. reducing aggregate demand
d. a deficit budget
13. The supply and demand for goods and services are influenced by the
a. Supermarkets
b. Entrepreneurs
c. Mechanism of the law
d. Price mechanism
14. In a sole proprietorship, the decisions are made by the
a. Government
b. Board of Directors
c. Shareholder's conference
d. Owner
15. Which of the following are direct taxes?
a. income and company taxes
b. sales taxes
c. commodity taxes
d. Excise duty
16. The production within the domestic territory of a country is called the
a. Net National Product
b. Gross Domestic Product
c. Disposable Income
d. Gross National Product
17. A producer sustains a loss in the short run if
a. marginal revenue is less than price
b. price is less than average cost
c. marginal cost is less than marginal revenue
d. average variable cost is less than average cost
18. Money market differs from capital market in that it:
a. deals with short-term loans while capital market deals with long term funds
b. deals with money only while capital market deals with capital as well
c. is limited in scope while capital market is not
d. uses interest rates while capital market does not
19. A production possibility curve shows:
a. how much of the resources of society are used to produce a particular commodity
b. the rate of inflation
c. the rate of unemployment in the economy
d. the various combinations of two commodities that can be produced.
20. The situation in which the total amount of government spending exceeds total revenues is called a:
a. balanced budget
b. budget deficit
c. budget surplus
d. fiscal surplus
21. The maximization of profit tends to be the driving force in the economic decision making of:
a. entrepreneurs
b. workers
c. consumers
d. legislators
22. Which of the following equation is the correct one about Net National Product (NNP)?
a. $NNP = \text{Gross National Product (GNP)} - \text{Depreciation}$
b. $NNP = \text{Gross National Product (GNP)} + \text{Net incomes from abroad}$
c. $NNP = \text{Gross Domestic Product (GDP)} - \text{Depreciation}$
d. $NNP = \text{Gross Domestic Product (GDP)} - \text{Net incomes from abroad}$
23. Middlemen in an economy perform the function of
a. Protection
b. hoarding
c. distribution
d. exchange
24. Line E in the diagram below represents:
a. total cost
b. Variable cost
c. average cost
d. fixed cost



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5 A	10 C	15 A	20 B	

EXPLANATIONS TO ANSWERS

1. The Economics as a subject was introduced purposely because of scarcity of resources to satisfy human wants. If all human want can be satisfied with available resources, there would be no need of introduction of economics as a subject. In conclusion, Economics is founded on the principle that human want are limitless while the means to satisfy them are limited. Therefore, Economics as a subject teaches how limited resources can be rationed among unlimited wants. (C)
2. Capitalist economic system can be defined as a means by which individual has right to own means of production.

e.g. land, capital, labour etc, and use it to their best interest. Here, it means that those who have the capital and other means of production have the power to control economic activities in the country. And it is not everyone in the country that has access to all means of production; Therefore, those who have will be wealthier than those who have not. In conclusion, there will be inequitable distribution of income and wealth. (B)

3. If $C = N7,500 + 0.27Y$

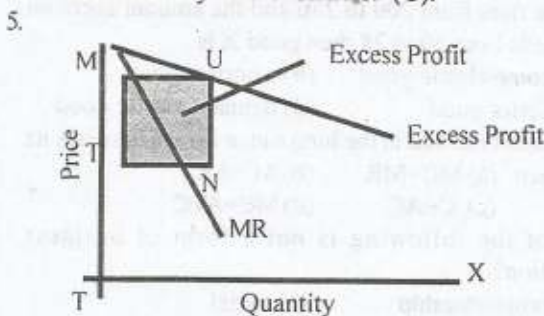
If income (Y) = 15,000 what is the value of consumption (C)
Let substitute the value of income (Y) into consumption equation above.

$$C = N7,500 + 0.2(15,000)$$

$$C = N7,500 + 3000$$

$$C = N10,000 \text{ (C).}$$

4. The law of demand states that "The higher the price, the lower the quantity demanded and the lower the price, the higher the quantity demanded". The law dictates that the price dictates the amount of quantities that would be demanded by the consumers. (C).



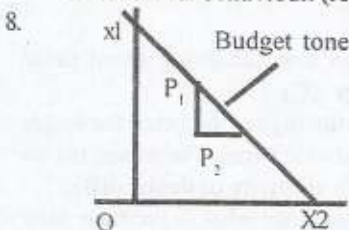
From the above diagram,
demand = average revenue.

The monopolist has right to control either the price or the quantity he wishes to sell. He can vary his price level as he wishes. (A)

6. The Central Bank is the government apex bank. It is the only bank that government has authorized to issue the country's currency. (D)

7. All consumers are rational in spending their income on commodities that will yield the same level of satisfaction to the money they have spent.

All consumers are willing to make choices on their choice of the commodities to be consumed that will give them the higher satisfaction they want. Since all our wants are unlimited; therefore, consumers make consistent choices. It is only option (A) is not a basic assumption of the theory of consumer behaviour. (A).

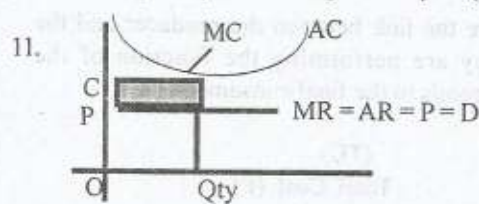


From the budget constraint equation

$M = P_1 X_1 + P_2 X_2$. The slope of the budget represents the constraint $X_1 = \frac{M}{P_1} - \frac{P_2}{P_1} X_2$. It means that M (income) is spent on the addition of $P_1 X_1$ (cost of commodity X₁) and the cost of commodity X₂, i.e. $P_2 X_2$. It means that the income of the consumer is rationalized between the two commodities, the (B).

9. Disposable income = Personal income - Tax + Subsidies. Disposable income is called take home after tax has been deducted from the real income. (C)

10. Terms of trade can be defined as the rate at which a country's export exchange for import (C)



When the demand curve is infinitely elastic or perfectly elastic, output remains the same but there is an increase by the full amount of the tax. The consumer bears the burden of the tax. The commodity is an essential commodity which means that whether the consumer likes it or not they must buy it and the commodity does not have a close substitute. (C)

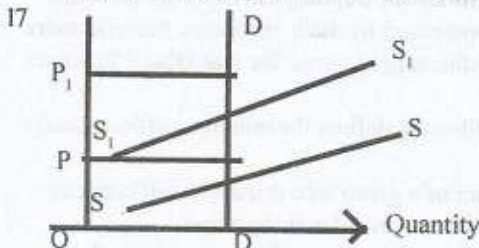
12. Once inflation is defined as a general rise in the price of goods and services within a particular time. It is the excess demand over supply that leads to inflation. (C)

13. It is the forces of demand and supply that dictate the level of price. For instance, if the price of the commodity will increase while the quantity demanded will decrease. (D).

14. Sole proprietorship is a one-man business; therefore, the decision is taken by the owner. (D)

15. Direct tax is compulsory levied imposed on income and profit of individuals and companies. (A)

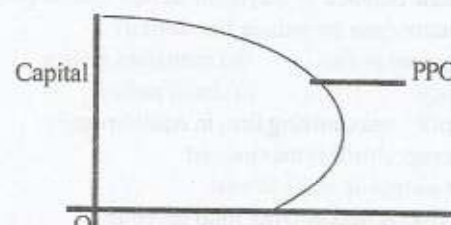
16. GDP is the total monetary value of goods and services produced within the country at a particular period of time. Therefore, the answer is Gross Domestic Product (B)



From the diagram above, price is less than average cost, thereby making the firm to sustain a loss represented by the shaded portion. Answer is (B).

18. Money market is for short-term loans while capital market is for long-term loans. (A)

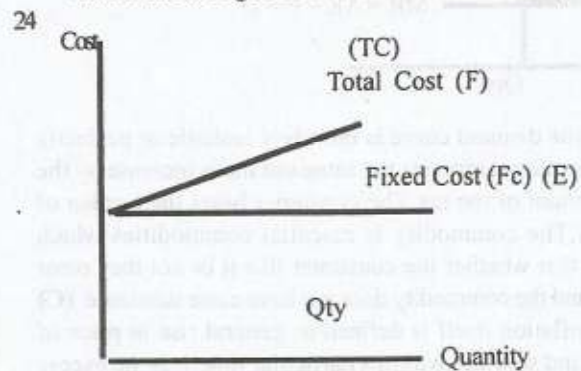
19. Production possibility curve (PPC) is showing the combination of commodities that can be produced with a given factor of production, e.g. labour & Capital (D)



20. The question defines the government deficit budget. (B)

21. Entrepreneurs control all factors of production with the purpose of making profit. The reward of an entrepreneur is profit. (A)

22. Net National product is the total monetary value of goods and services produce within a particular year in a given country including net income from abroad less depreciation. (C)
23. Middlemen are the link between the producer and the consumer. They are performing the function of the distribution of goods to the final consumers. (C)



1. Which of the following best describes a perfectly inelastic demand function?
 - a. the quantity demanded is insensitive to changes in price
 - b. price is insensitive to changes in quantity demanded
 - c. price and quantity demanded changes by some percentage
 - d. the demand function is horizontal
2. Which of the following statement is true?
 - a. a variable defined over a period of time is called a stock variable
 - b. microeconomics analyses interaction in the economy as a whole
 - c. a fall in the price of garri will shift its demand right ward
 - d. the market demand curve for commodity will shift to the right if the price of its substitute falls.
3. Which of the following statement is false?
 - a. Ends in Economics are the resources with which it can attain our goals
 - b. Tables and graphs are focus of arithmetic technique used in economics to present ideas pictorially
 - c. Three basic questions every economy must answer are what to produce, how to produce and for whom to produce.
 - d. A and B. are substitutes if the supply of A increases, the price of B will tend to increase
4. Which of the following statement is false?
 - a. An economy where economic decision making is shared by individuals and government is known as mixed economy
 - b. Given that apples and pears are substitutes, if the price of apples falls, the price of pears falls
 - c. an elasticity of demand measured between two points on a demand curve is called a point elasticity of demand
 - d. A and B are complements, if the supply of A decrease, the price of B will tend to fall
5. Which of the following statement is true?
 - a. if cross price elasticity of demand between two goods, A and B is negative, we can conclude that A and B are substitutes
 - b. the co-efficient of elasticity of demand is measured as a ratio of change in quantity demanded to change in price
 - c. a market will be in disequilibrium when demand is not equal to supply
 - d. all of the above
6. If the equation relating consumption (C) to income (Y) is $C = N7,500 + 0.2Y$, then
 - a. consumption is inversely related to income
 - b. consumption is the independent variable and income is the dependent variable
 - c. if income is N15,000, the consumption is N10,500
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 - b. complementary goods
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 - b. a particular commodity
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14. The situation in which the total amount of government spending exceeds total revenues is called a
 - a. balanced budget
 - b. budget surplus
 - c. budget deficit
 - d. fiscal surplus
15. The maximization of profit tends to be the driving force in the economic decision making of:
 - a. entrepreneurs
 - b. workers
 - c. consumers
 - d. legislators
16. **Age Distribution Table**

10 – 15yrs	16 – 35yrs	36 – 50yrs	61 and above
10000	3000	5000	2000

The table above shows the age distribution of a town in Nigeria.

- What is the dependency ratio of the town?
- a. 3:2
 - b. 2:1
 - c. 5:2
 - d. 4:3
17. Which of these factors does not cause a change in demand?
 - a. income
 - b. population
 - c. price of other commodities
 - d. price of the commodity itself
 18. When the demand for a commodity is inelastic, total revenue will fall if
 - a. price is increased
 - b. price remain constant
 - c. price is reduced
 - d. the commodity is a luxury

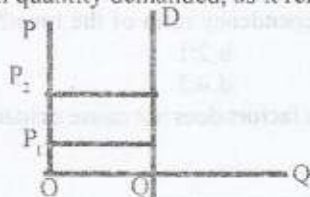
19. An economic system in which most capital goods are owned by individuals and private firms is known as
a. planned economy b. capitalist economy
c. mixed economy d. socialist economy
20. Which of the following is the most liquid asset to a commercial bank?
a. cash b. money at call
c. stocks and shares d. Treasury Bills
21. At every point on an indifference curve, the
a. Total Utility is decreasing b. Level of Utility is constant
c. Level of Utility is increasing d. Consumer is satisfied
22. Tax incidence is the analysis of
a. How progressive a tax is b. who ultimately pays the tax
c. How distorting a tax is d. How a tax is collected
23. A monopolist will practice price discrimination in two markets if
a. there is a patent of the commodity
b. there is free flow of information in the two markets
c. the markets have different elasticities of demand
d. the cost of separating the markets is low
24. Which of the following is regarded as fixed cost?
a. Cost of raw materials b. Labour wages
c. Rent on Land d. cost of light
25. Given that fixed cost is ₦500.00, variable cost is ₦1,500.00 and output is 40 units what will be the average cost of producing one unit?
a. ₦2.50 b. ₦37.50 c. ₦50.00 d. ₦500.00
26. Which of the following does not hinder the efficient distribution of goods in West Africa?
a. Government participation in the distributive trade
b. inadequate storage facilities for agricultural goods
c. inadequate credit facilities for potential distributors
d. the tendency to hoard and smuggle
27. Which of the following is the most important reason why wages differ among occupations?
a. Length and cost of training b. Supply of Labour
c. Attractiveness of the job d. Influence of trade Unions

ANSWER KEY

- | | | | | | |
|------|-------|-------|-------|-------|-------|
| 1. A | 6. C | 11. A | 16. A | 21. D | 26. A |
| 2. A | 7. D | 12. A | 17. D | 22. B | 27. A |
| 3. A | 8. C | 13. D | 18. C | 23. C | |
| 4. B | 9. D | 14. C | 19. B | 24. C | |
| 5. A | 10. A | 15. A | 20. A | 25. C | |

EXPLANATION TO ANSWERS

1. Change in price of the commodity from P_1 to P_2 has no effect on quantity demanded, as it remains at Q_1 (A)



2. A variable that is defined relative to a particular period of time is a stock variable. For instance, National Income for 2010. But, option B is wrong because it relates only to the individual economic agents, option C is also wrong a fall in price does not shift its demand curve. Likewise option D is wrong because a fall in price of a substitute goods will

- only shift the demand curve of a given commodity to the left. (A)
3. Our Ends are our goals and the resources to satisfy them are the means. Options B and C are absolutely correct but option D is ambiguous because, substitutability and complementarity of a commodity does not affect its supply, conventionally. (A)
4. If the price of apple falls, the quantity of pear also fall. Option B is absolutely wrong because it describes arc elasticity and not point elasticity. Option A is absolutely correct but options B and D are ambiguous. For B, because it is conventionally assumed that the price of substitute goods is constant while varying the price of a particular good. And for D, because of the same reason in option D in question 3 (B).
5. Option B & C are correct, but for option A, a negative cross elasticity indicates complimentary goods are not substitute goods. (A)
6. Options C is correct because if income is ₦15000. The consumption will be ₦10500.
That is, $C = 7500 + 0.2y$,
 $C = 7500 + 0.2(15000)$,
 $C = 7500 + 3000$, $C = ₦10500$.
Option A is wrong because consumption is directly related to income. B is wrong because consumption is dependent while income is independent variable, and D is wrong because at ₦10000 income, the consumption will be ₦9500 and not ₦30000. (C)
7. Option D is right because the law of demand is derived from the axiom of DMU which relates that as more and more of a commodity is consumed the utility derived from additional amount is decreasing and the consumer will be ready to pay less for more quantity of the additional amount. Other options are wrong. (D)
8. A monopolist is an imperfect market and is faced with a downward sloping demand curve. Other options are wrong. (C)
9. Options A B & C are not correct because CBN does not deal directly with individual. (C)
10. Options B and D are correct because they relate to assumptions of Non-satiable, Rationality and constituency respectively. But option C is out of point because the consumers are forced to make choices since he cannot satisfy all his needs with the available resources. (A)
11. Only option A truly describe the NNP. The Net National Product (NNP) is achieved by deducting depreciation from the Gross National Product (GNP). (A)
12. Option A is correct because money market is the market for short term finance and capital is the market for long term finance. (A)
13. Because production possibility curve (PPC) shows the various combinations of two commodities that can be produced given the available resources. (D)
14. If Government Expenditure = Government Revenue = Balanced Budget
Expenditure < Revenue = Budget Surplus
Expenditure > Revenue = Budget Deficit
Hence, Option C is correct
15. Because profit maximization cannot attract workers, consumers or legislators but the entrepreneurs. The reward for entrepreneur is profit. (A)

16. The dependency ratio is the proportion of dependent population (i.e. children and aged) to the working population. In this case,

$$\frac{10000+2000}{3000+5000} = \frac{12000}{8000} = \frac{3}{2}$$

The Ratio is : 3:2 (A)

17. A change in income, population or price of other commodities will always cause a shift in demand. Whereas only change in the price of the commodity can cause change in the quantity demanded. (D)
18. C The total revenue will fall if price is reduced because the qty demanded will not increase up to the rate at which the price is reduced.

19. B

20. A

21. D

22. B

23. C

24. Fixed costs are cost on fixed asset. Rent on land is a good example. (C)

$$25. AC = \frac{TC}{Q} \text{ or } \frac{FC+VC}{Q} = \frac{500+1500}{40} = \frac{2000}{40} = \text{N}50 \quad (C)$$

26. A

27. A

OBAFEMIAWOLOWO UNIVERSITY, ILE-IFE 2009 POST UME SCREENING TEST

- For two substitute goods, the gross elasticity of demand is
(a) greater than one but less than (b) zero
(c) negative (d) positive (e) infinity
- If a person receives a higher wage than would be necessary to induce him to work, he is said to be receiving
(a) rent (b) profit (c) interest (d) gain (e) moratorium
- Which of this is likely to be inflationary
(a) tax increase (b) budget surplus
(c) increase in unemployment (d) wage increase
(e) increase in labour supply
- A characteristic of a debenture is that
(a) its yield is based on profits
(b) its yield is fixed rate of interest
(c) it has no redemption date
(d) there is a voting when interest is paid
(e) its interest is variable
- Which of these is not include in measuring national income by the income approach
(a) wages and salaries of public servants
(b) students bursaries and scholarship
(c) profit of international
(d) income of self employed person
(e) rents on property
- The revenue accruing to the seller of commodity X as a result of a fall in price will
(a) increase (b) fall (c) first fall but increase later
(d) remain unchanged (e) change noticeably
- Deflation is persistence fall in price in the general level and is usually caused by
(a) a reduction in total demand
(b) an increase in government spending
(c) an increase in money supply to banks
(d) an increase in aggregate demand
(e) an increase in money supply relative to demand
- Under partnership, investors who have no desire to be actively involved on the day-to-day management of such organizations are called (a) stock brokers (b) sleeping partners (c) part-time investors (d) ordinary partners
(e) debenture holders
- In a sole proprietorship, decisions are made by the

10. A greater burden of taxes on essential goods is borne by the
 - (a) middle income group
 - (b) higher income group
 - (c) lower earning group
 - (d) people falling between the middle and higher income group
 - (e) top few richest people in an economy
11. Demand as a factor of production is
 - (a) a composite demand
 - (b) a joint demand
 - (c) a derived demand
 - (d) an elasticity of demand
 - (e) cross elasticity of demand
12. One disadvantage of sole proprietorship is its
 - (a) limited liability
 - (b) high profits
 - (c) high sense of ownership
 - (d) low credit rating
 - (e) low failure value
13. The monetary system that requires double coincidence of wants is known as
 - (a) the gold standard
 - (b) the barter practice
 - (c) the commodity system
 - (d) the good exchange standard
 - (e) the Cheque system
14. The marginal theory of distribution makes an assertion that the price of any factor depends upon its marginal
 - (a) utility
 - (b) productivity
 - (c) rate of substitution
 - (d) revenue
 - (e) proceeds
15. By using exchange controls, a country tries to eliminate a balance of payments deficit by
 - (a) limited her imports to its currency of exports
 - (b) reducing the nation's domestic price level
 - (c) limiting her exports to its currency value of imports
 - (d) overvaluing the country's
 - (e) undervaluing the country's currency
16. Economies of scale operate only when
 - (a) marginal cost is falling with input
 - (b) average cost is falling with output fixed cost is variable
 - (c) fixed cost is variable
 - (d) variable cost less than fixed cost
 - (e) variable cost is equal to cost of output
17. If an increase in income induces a reduction in the demand for beans, beans can be referred to as
 - (a) a normal good
 - (b) an inferior good
 - (c) a substitute
 - (d) a dash
 - (e) a gift good
18. Optimum population is desired because it enable an economy to attain maximum
 - (a) per capital income
 - (b) per capital output
 - (c) per capital real income
 - (d) per capital revenue
 - (e) growth rate
19. Marginal cost curve intersects average cost curve
 - (a) from above at its lowest point
 - (b) from below before the lowest point
 - (c) from below at its lowest point
 - (d) from below after the lowest point
 - (e) at the zenith of turn
20. The concept of economics efficiency refers to
 - (a) obtained the maximum output from available resources at the lowest possible cost
 - (b) conservation of natural gas and oil deposits
 - (c) equity in the distribution of national resources
 - (d) production without waste
 - (e) the limited wants unlimited resources dilemma
21. A major factor affecting the value of money is the
 - (a) price level
 - (b) banking habit
 - (c) transaction motive
 - (d) divisible nature of money
 - (e) transferability
22. Which of the following is an example of invisible item on balance of payment account?
 - (a) shipping and aviation
 - (b) import and export
 - (c) merchandise
 - (d) bullions
 - (e) tariffs
23. The best index for international companies of standard of living is the
 - (a) cross national product
 - (b) net national income
 - (c) per capital income
 - (d) cross national income
24. A major obstacle to economic development in many African countries
 - (a) a rise in industrial output
 - (b) low farm productivity
 - (c) free trade
 - (d) free interaction
 - (e) controlled international relations
25. The most popular adopted industrialization strategy in West Africa is
 - (a) import substitution
 - (b) export promotion
 - (c) ports development
 - (d) infant industries protection.

EXPLANATIONS TO ANSWERS

1. The higher the price of commodity A, the higher the quantity Demanded of commodity B (A' substitute). Hence the cross elasticity is positive. (D)
2. Moratorium is an inducement or grace received without actually working for it. (E)
3. An increase in wage will increase the purchasing power of consumers and invariably the aggregate demand, it will tend to increasing price level (inflation) if not matched with increase in production. (D)
4. Debenture is a loan to the company and it attract a fixed of interest as usual. (B)
5. Student bursaries and scholarships are transfer income which is excluded National income computation under income approach. (B)
6. If the price of a particular commodity is reduced quantity demanded will increase gradually and the total revenue will first fall and increase later. Ans C
7. Generally, fall in total demand will cause the price to fall, and it will fall persistently if not carefully checked. (A)
8. Sleeping partners are partners that contributes to the smooth running of the business but does not participate in the day-to-day activities of business. (B)
9. A sole proprietorship business is owned, managed, and financed by an individual owner, thus decisions are made by the owners. (E)
10. The lower earning group usually from the group of final consumers and all burden of tax are shifted on them. (C)
11. Factors of production are demanded not for their own sake but for what they will be used to produced. Hence, it is a derived demand. (C)
12. The major disadvantage of sole proprietorship is limited capital expansion emanated From limited credit rating. (D)
13. Barter practice is the exchange system where goods and services are exchange directly. It involves double coincidence of wants. (B)
14. Thus, for profit to be maximized, marginal products of factors of production must equal to their prices. Hence $MP_L = w$ and $MP_K = r$. (B)
15. Deficit balance of payment (BOP) occur when imports are more than exports. Hence, will control it by limiting her imports to what can be financed by her currency of exports. (A)
16. Economics of scale only occurs in the long run when all factors of production are variable (C).
17. An inferior goods will have a negative income elasticity. (B)
18. An optimum population is a situation where available population can exploit available resources efficiently and per capital output is maximized. (B)

19. The minimum point of average cost (AC) is the efficiency point and the firm will break-even where the marginal cost curve intersects average cost curve from below at its Lowest point. (C)
 20. Since our wants are unlimited and our resources limited in supply. Thus, economics seeks to obtain the maximum output from available resources of the lowest possible cost. (A)
 21. A persistent increase in general price level will cause inflation and reduce the value of money, and the reverse is correct for deflation. (A)
 22. Invisible items are services transferred from one country to another. It includes shipping and aviation, tourism, education etc. (A)
 23. Per capita income is obtained by dividing the national income by the total population of a given country. It is used for international comparison of standard of living. (C)
 24. Many African countries have shifted the domain of the economy from Agriculture to some other area, this has led to a significant fall in Agric products which serves as input for industrial development (B)
 25. Most west African countries are usually confronted with deficit balance of payment (BOPs), thus, they usually embark on export promotion strategy as their industrialization strategy. (B)
- a. wants virtually unlimited
 - b. The originator of idea drew it this way and modern economists follow this convention
 - c. resources are scarce
 - d. resources are not equally efficient in producing every goods
 7. If the production possibilities curve were a straight downward sloping line, this would suggest that
 - a. it is possible to produce more of both product resources
 - b. resources are perfectly shiftable between the production of these two goods
 - c. both the products are equally capable of satisfying consumer wants
 - d. the two products have identical prices
 8. Productive efficiency refers to
 - a. the use of the least cost method of production
 - b. the population of the product-mix most wanted by society
 - c. the full employment of all available resource
 - d. production at some points inside of the production possibilities curve
 9. Which of the following statement is correct?
 - a. if demand increase, equilibrium and supply decreases, equilibrium price will fall.
 - b. if supply increase demand decreases, equilibrium price will fall.
 - c. If demand decreases and supply price will rise
 - d. If supply declines and demand remains constant, equilibrium price will fall.
 10. If depreciation exceeds gross investment:
 - a. the economy's stock of capital may be either growing or shrinking.
 - b. the economy's stock of capital is growing.
 - c. Net investment is Zero
 - d. the economy's stock of capital is shrinking.
 11. Assuming the total population is 100 million, the civilian labor force is 50 million, and 47 million workers are employed the unemployment rate is:
 - (a) 3% (b) 6% (c) 7% (d) 5.3%.
 12. Unemployment involving a mismatch of the skill of unemployed workers and the skill required for available jobs is called:
 - (a) Frictional unemployment
 - (b) structural unemployment
 - (c) Cyclical unemployment
 - (d) compositional unemployment
 13. The greater is the marginal propensity to consume, the
 - (a) smaller is the marginal propensity to save
 - (b) Higher is the interest rate.
 - (c) Lower is the average propensity consumed.
 - (d) Lower is the price level.
 14. Investment and saving are, respectively;
 - (a) Income and wealth
 - (b) Stocks and flows
 - (c) Injection and leakages
 - (d) Leakages and injections.
 15. The amount by which government expenditures exceed revenues during a particular year is the;
 - (a) public debt
 - (b) Budget deficit.
 - (c) full-employment
 - (d) GDP gap.
 16. The value of money varies:
 - (a) inversely with the price level
 - (b) Directly with the volume of employment.
 - (c) Directly with the price level.
 - (d) Directly with interest rate.

OBAFEMI AWOLOWO UNIVERSITY, ILE-IFE
2010 POST UME TEST

1. In economics, the pleasure, happiness or satisfaction received from product is called
 - a. Marginal cost
 - b. rational outcome
 - c. status fulfillment
 - d. utility
2. A person should consume more of something when its marginal
 - a. benefit
 - b. cost exceeds its marginal benefit
 - c. Cost equals its marginal benefit
 - d. benefit is still positive
3. Macroeconomics can best be described as the
 - a. analysis of how a consumer tries to spend how a consumer tries to spend income
 - b. study of the large aggregates of the economy or the economy as a whole
 - c. analysis of how firms attempt to maximize their profits
 - d. study of how supply and demand determine prices in individual markets
4. When economists say that people act rationally in their self interest, they mean that individuals :
 - a. Look for and pursue opportunities to increase their utility
 - b. generally disregard the interest of other
 - c. are mainly creatures of habit
 - d. are unpredictable
5. As related to international trade dumping
 - a. is a form of price discrimination illegal under US antitrust law
 - b. is the practice of selling goods in a general case for permanent tariffs
 - c. constitutes a general case for permanent tariff
 - d. is defined as selling more goods than allowed by an import quota
6. A nation's production possibilities curve is bowed out from the origin because
 - a. wants virtually unlimited
 - b. The originator of idea drew it this way and modern economists follow this convention
 - c. resources are scarce
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 - (b) Directly with the volume of employment.
 - (c) Directly with the price level.
 - (d) Directly with interest rate.

17. If actual reserves in the banking system are #40,000 excess reserves are #10,000. And checkable deposit are #240,000, then the legal reserve requirement is (a) 10% (b) 12.5% (c) 20% (d) 5%
18. The discount rate is the interest:
 - (a) rate at which the Central Bank of Nigeria lends to the Nigeria government.
 - (b) Yield on long-term government bonds.
 - (c) Rate at which Commercial Banks lend to the public
 - (d) Rate at which the Central bank of Nigeria lend money to commercial Banks.
19. The basic formula for the price elasticity of demand coefficient is:
 - (a) Absolute decline in quality demand/absolute increase in price
 - (b) Absolute decline in price /absolute increase in quality demand
 - (c) % change in quantity demanded / % change in price
 - (d) change in quantity demand
20. If a firm can sell 30,000 units of products A at \$10 per units and 5,000 at \$8, then:
 - (a) the price elasticity demand 0.44.
 - (b) A is a complementary good.
 - (c) The price elasticity of demand is 2.25.
 - (d) A is a inferior good.
21. Assuming a household would consume #100 worth of goods and services per week if it weekly income were Zero and would spend an additional #80 per week for each #100 additional income. if C represents consumption and Y income, the summarizes this relationship is
 - (a) $C = 80 + 100Y$
 - (b) $C = 100 + 8Y$
 - (c) $C = 100 + 0.8Y$
 - (d) $C = 80 + 11Y$
22. For a bicycle company, an economist predicted that other things being equal, a rise in consumer incomes will increase the demand for bicycle. this prediction is based on the assumption that (a) There are many goods that are substitute for bicycle. (b) there are many goods that are complementary to bicycle. (c) there are few goods that are substitute for bicycle. (d) Bicycle are normal goods.
23. A demand curve which is parallel to the horizontal axis:
 - (a) Perfect inelastic (b) Perfect elastic (c) relatively inelastic (d) relatively elastic.
24. Allocation efficiency occurs only at that output where:
 - (a) Marginal benefit exceeds marginal cost the greatest amount. (b) consumer surplus exceeds producer surplus by the greatest amount. (c) The areas if consumer and producer surplus are equal. (d) the combined amount of consumer surplus and producer surplus are maximized.
25. The primary problem of economic is (a) To obtain more equitable distribution of money income (b) Production of a given output with the lowest cost combination of factors of production (c) Adoption of capital-intensive technology (d) Increase the quantity of the factors of production.

ANSWER KEY

1 D	6 C	11 B	16 D	21 C
2 A	7 D	12 B	17 —	22 D
3 B	8 C	13 A	18 D	23 B
4 A	9 D	14 C	19 D	24 C
5 B	10 D	15 B	20 B	25 B

EXPLANATIONS TO ANSWERS

1. Utility is the amount of satisfaction a consumer derived from consuming a particular commodity. (D)
2. A consumer will consume more of a commodity when $MU > MC$. On an ideal situation consumer maximizes satisfaction when the marginal benefit equals the marginal cost and the marginal benefit reduce as more and more of the commodity is consumed. Hence, consumer should consume more of the commodity to reduce marginal benefit and equate it with marginal cost (A)
3. Macro is derived from the Greek work "Makros" meaning "large" Hence, macroeconomics is the study of the economy at large. (B)
4. The selfish interest convention of Adam Smith implies that every individual operate in favor of his or her personal self. That is to increase their personal utility. (A)
5. Option describes dumping It is a method used to get rid of some less valuable producer's country. (B)
6. A hand-out CPC explain the concept of scarcity. It means that to increase the input of a product the input of another product, must be reduced at increasing rate. (C)
7. A downward slopping ppc implies a constant rate of a production. In other words, it implies an identical price for the two products. (C)
8. To operate efficiently is to operate along the ppc where all available resources are fully and gradually utilized. (C)
9. If supply increase and demand decrease, the equilibrium price will fall. Option D is obviously correct, But for the other option the issue of decrease in price will depend on the rate of increase or decrease of demand or supply which is not given. (B)
10. Economy develop on surplus net capital formation i.e net investment thus if capital consumption (depreciation) is so large as to absorb more than the whole capital formation, the economy stock of capital (i.e. initial capital formation) will slowdown. (D)
11. $\frac{50 - 47}{50} \times 100 = \frac{3}{50} \times 100 = 6\%$ (B)
Unemployment rate is the proportion of unemployed labour to total labour force.
12. Structural unemployment occurs when there is sudden change in the structure of the economy If a labour intensive economy suddenly change to a capital intensive economy standard unemployment will no doubt occur
13. Note that the total income is divisible into consumption and saving
i.e $Y = C + S$. Hence, the $MP_C + MP_S = 1$ Therefore, the higher the MP_C the lower the MP_S , since the two must add up to 1 (A)
14. Given a circular flow of income for a particular economy investment tends to boost the flow of income hence it is called injection whereas savings will slower the pace of the circulation flow of income hence named withdrawal/ leakages (C)
15. For a particular fiscal year, if government decides to spend more than its expected revenue it will surely incur deficit this type of budget is termed Budget Deficit. (B)
16. According to the fisherian equation of exchange, $Mv = PT$ money supply varies with price level, given that the velocity and the level of transaction is constant (D)

17. LRR =

$$\frac{\text{Initial Deposit} \times 100}{\text{Deposit Greated}} = \frac{40,000 \times 100}{240,000} = 16.1\%$$

Deposit Greated 240,000

18. The discount rate or the minimum rediscount rate (MRR) in Nigeria is the rate at which the central bank of Nigeria lends to commercial banks to control money supplying in the economy (D)

19. Elasticity of demand is the proportional change in quantity demand to proportional change in price

$$\frac{3,000 - 5,000 \times 10}{3,000} \div \frac{-2,000 \times 10}{2} = 3.33$$

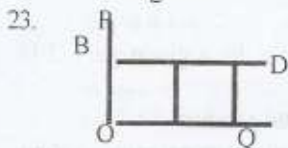
Option B seems to close to the answer but substitusibility and complimentary of a commodity is deferming with cross elasticity

21. $C = C^0 + CY$

$$C^0 = 100 \text{ (i)}$$

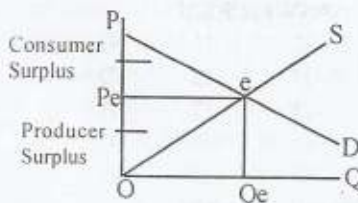
$$CY = \frac{80Y}{100} = 0.8Y \text{ (ii)} \quad C = 100 + 0.8Y \text{ (C)}$$

22. If the quantity demanded of a commodity increases from the increase in consumers' income, then such goods is a normal goods D

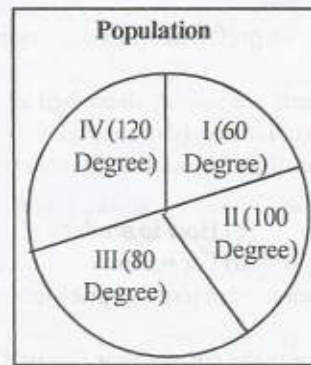


B is a perfectly elastic demand curve which reflect no change in price of the commodity irrespective of the change in quantity demanded.

24. Allocation efficiency is reached only at equilibrium point. At this point, both producer's and consumer's surplus must be equal. (C)



25. The primary concern of economics is to satisfy needs with available limited resources. (B)



KEY	
I	61 yrs+
II	46 - 60yrs
III	18-45 yrs
IV	0 - 17 yrs

- The total population within age group 61 years and above is
(a) 120M (b) 200M (c) 100M (d) 80M
- The total population who are children is
(a) 360M (b) 120M (c) 520M (d) 240M
- The total active population in the country is
(a) 400M (b) 200M (c) 520M (d) 360m
- An economic system can be defined as an
(a) arrangement specifying how production and consumption are controlled in a society
(b) arrangement whereby goods are distributed in a society
(c) arrangement whereby human wants are satisfied in a society
(d) arrangement specifying how productive resources are distributed in a society
- The following are features of a free market economy except
(a) private ownership of properties
(b) existence of competition
(c) high level of profit maximization by private investors
(d) Joint decision-making by the citizens in a society
- In a capitalist society, production and consumption are regulated by the
(a) demand for the commodity (b) the government
(c) price system (d) private individuals
- The following are advantages of socialism except
(a) equitable distribution of resources
(b) absence of exploitation
(c) equitable distribution of income
(d) promotion of high standard of living

8. Marginal Product (MP) is best defined as
 A. $\frac{\text{Total product}}{\text{No of labour}}$ B. $\frac{\text{Change in total product}}{\text{Change in variable factor}}$
 C. $\frac{\text{Total product}}{\text{Fixed factor}}$ D. $\frac{\text{Average product}}{\text{No of labour}}$
9. Which of the following is NOT a limitation to divisions of labour and specialization
 (a) the size of the market (b) availability of capital
 (c) interdependence among the workers
 (d) the nature of the product
10. The following are the advantages of internal economics of large scale production except
 (a) financial economics (b) administrative economics
 (c) technical economies (d) market economies
11. The basic concepts of economics are:-
 (a) choice, scarcity, resources and efficiency
 (b) wants, scarcity, choice, scale of preference and opportunity cost
 (c) wants, scarcity and choice
 (d) wants, choice, scale of preference and opportunity cost
12. In economics human wants are usually described as
 (a) many (b) insatiable (c) limited (d) numerous
13. Basic economic problems of society include the following except:
 (a) What to produce (b) How to produce
 (c) Where to produce (d) For whom to produce
14. The value of money is measured in terms of price index as follows
 A – Price index = $\frac{\text{Price in the current year}}{\text{Price in the previous year}} \times 100\%$
 B – Price index = $\frac{\text{Price in the previous year}}{\text{Price in the current year}} \times 100\%$
 C – Price index = $\frac{\text{Price in the current year}}{\text{Velocity of circulation of money}} \times 100\%$
 D – Price index = $\frac{\text{Price in the base year}}{\text{Price in the current year}} \times 100\%$
15. Marginal Propensity to Consumer (MPC) is calculated using one of the following formulae:
 A. $\text{MPC} = \frac{\text{Change in saving}}{\text{Change in income}}$
 B. $\text{MPC} = \frac{\text{Change in consumption}}{\text{Change in income}}$
 C. $\text{MPC} = \frac{1}{1 - \text{MPC}} = \frac{1}{\text{MPS}}$
 D. $\text{MPC} = \frac{\text{Total in savings}}{\text{Total income s}}$
16. Which of the following is TRUE of marginal cost?
 (a) it is a cost incurred by the firm on variable inputs
 (b) It is the cost of producing one extra unit of a commodity at any output level.
 (c) it is sum of the fixed cost and variable cost
 (d) it is referred to as overhead cost
17. Which of the following items is NOT a variable cost?
 (a) cost of machine (b) cost of electricity
 (c) salaries and wages (d) cost of raw materials
18. Which of the following is NOT true of a market demand schedule?
 (a) it is a schedule of all consumers of a commodity in a market
 (b) it is the aggregate demand schedule of the consumers

of a commodity in a market

(c) it is a table showing the different quantities of a commodity which a consumer would purchase at various prices.

(d) it is a table showing the composite demand schedule of all consumer of a commodity in a market

19. Cross elasticity of demand can be measured using one of the following formulae

A. $\frac{\% \text{ change in quantity demanded}}{\% \text{ change in consumers income}}$

B. $\frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$

C. $\frac{\% \text{ change in price of commodity}}{\% \text{ change in quantity demanded of commodity X}}$

D. $\frac{\% \text{ change in quantity demanded of commodity X}}{\% \text{ change in price of commodity Y}}$

Use the table below to answer questions 20-22

Price N	Quantity demanded (kg)	Quantity supplied (kg)
50	20	100
40	40	80
30	60	60
20	80	40
10	100	20

20. At price N50, there is an excess supply of
 (a) 20kg (b) 100kg (c) 80kg (d) 40kg
21. Excess demand arises at prices
 (a) 20 (b) N40 (c) 10 (d) N10 and N20
22. The equilibrium price is
 (a) N40 (b) N30 (c) N10 (d) None of the above
23. Supply is said to be inelastic when the coefficient of elasticity of supply is
 (a) 2.5 (b) 0.5 (c) zero (d) infinity
24. Price legislation can be defined as
 (a) how price fluctuates in the market
 (b) how prices are controlled in the market
 (c) how to avoid inflation
 (d) How the government fixes the prices of essential commodities
25. Utility maximizing occurs when one of the following condition is attained
 A. $\text{Mu} = \frac{\text{TU}}{\text{Mux}}$ B. $\frac{\text{Mux}}{\text{px}} = \frac{\text{Muy}}{\text{py}}$
 C. $\text{Px} = \frac{\text{Py}}{\text{Muy}}$ D. $\frac{\text{Mux}}{\text{Muy}} = \frac{\text{Pxy}}{\text{Muxy}}$

Explanations to Answers

1. For total population within 61 years & above
 $\frac{60^\circ}{360^\circ} \times 720\text{M} = 120\text{M}$ (A)
2. The total population who are children in the country are from 0-17 years
 $\frac{120^\circ}{360^\circ} \times 720,000,000 = 240\text{m}$ (D)
3. The total active population in the country comprises of those between 18-45 years and 46-60 years
 18-45 years $\frac{80^\circ}{360^\circ} \times 720,000,000 = 160\text{m}$
 46-60 years $\frac{100^\circ}{360^\circ} \times 720,000,000 = 200\text{m}$
 160m + 220m = 360m (D)

4. C 5. D 6. C 7. D 8. B 9. C
 10. There is no exception in the options. All the options are advantages of large scale production.
 11. B 12. B 13. C 14. A 15. B 16. B
 17. A 18. - 19. D 20. C 21. D 22. B
 23. Supply is said to be inelastic, when the coefficient of elasticity of supply is less than one i.e. $E < 1$. Therefore, since 0.5 is less than one, their supply is inelastic. (B)
 24. it is true to the definition of price control. (D)
 25. it is the equi-marginal principle of utility maximization. (B)

OBAFEMI AWOLOWO UNIVERSITY, ILE-IFE
2012 POST UTME SCREENING TEST

1. Ordinary shareholders and preferential shareholders are different because
 - a. Preferential shareholders participate and can vote and be voted for during the AGM
 - b. Ordinary shareholders are given priority in case the company is liquidated
 - c. Preferential shareholders are prominent shareholders than ordinary shareholders
 - d. Ordinary shareholders are the core shareholders in the company
2. Yam and palm oil are used together; therefore
 - a. Yam is a substitute good while palm oil is a complementary good
 - b. Yam is complementary good while palm oil is a substitute good
 - c. Yam and palm oil are complementary goods
 - d. Yam and beans are substitute goods
3. Private and public limited liability companies are not the same because
 - a. Former is limited to fifty shareholder but not the latter
 - b. Both are not legal entities
 - c. Former is established secretly but latter is located in central places
 - d. Former is managed by board of directors but latter is managed by board of management
4. Price discrimination exist when
 - a. The same product of the same quality is sold for different prices to the same buyer
 - b. The same product of the same quality is sold for different prices to different buyers
 - c. Different products are sold for the same price to the same buyers
 - d. Different products are sold for the same price to different buyers
5. A commodity is said to be price inelastic if
 - a. Changes in the quantity purchased of a good is less than proportionate changes in its price
 - b. Changes in the quantity purchased of a good is proportional to change in its price
 - c. Changes in the quantity purchased of a good is more than proportionate changes in its price
 - d. The quantity purchased of a good never responds to

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- change in its price
6. The parameter in a consumption function of the form; $C = a + by$, where Y is the National Income is
 - a. Marginal benefit of consumption
 - b. Marginal propensity to purchase
 - c. Marginal propensity to consume
 - d. Marginal propensity to save
 7. Indifference curve and isoquant are respectively relevant in
 - a. Theories of consumer behaviours and production
 - b. Theories of human indifference and production
 - c. Theories of trade and production
 - d. Theories of production and trade
 8. Perfect price elastic supply means
 - a. No change in supply as price changes
 - b. Any change in price completely stops supply
 - c. Changes in price double supply
 - d. A changes in price leads to proportionate change in supply
 9. Change in demand and change in quantity demanded are not the same because
 - a. All factors affecting change in demand also affect change in quantity demanded except income
 - b. All factors affecting change in demand are not affecting change in quantity demanded except income
 - c. Many factors lead to change in demand but only change in price affect change in quantity demanded
 - d. Many factors lead to change in demand but only change in income affect change in quantity demanded
 10. The following is the main differences between firm and industry
 - a. Industry is the group of firms producing related products
 - b. Industry is the group of firms in the manufacturing sector
 - c. Industry is the group of firms in different sectors of the economy
 - d. Industry is the group of firms with a single pressure group
 11. Roles of central bank include the following except
 - a. Lender of last resort to commercial bank
 - b. Banker to commercial bank
 - c. Regulator of both the money and capital markets
 - d. Receipts of government deposits
 12. If salary of worker increases from 50,000 naira to 80,000 Naira and average price of certain commodities consumed by the worker increase from 120 Naira to 160 Naira then
 - a. The nominal income increases but leave the real income constant
 - b. The real income increases, but nominal income has reduced
 - c. The nominal income increases, but real income decreases
 - d. Both the nominal and real income increases
 13. Discount rate means
 - a. Rate at which money are borrowed from commercial bank
 - b. Rate at which bank receive deposit from the public
 - c. Central bank rate on the money borrowed by commercial banks
 - d. Commercial bank rate on the money borrowed from other commercial bank
 14. When the government expenditure and income are the same in a fiscal year, this is referred as;
 - a. Net balance
 - b. Zero balanced budget
 - c. Balanced budget
 - d. Net income
 15. Inflation as a result of increase in the payment for factors

- of production is called
- a. Cost-pull inflation b. Demand push inflation
 - c. Cost-push inflation d. Demand pull inflation
16. If the price of commodity X increases because of the increase in the price vis-a-vis the increase in demand for other commodity Y, the two commodities are likely to be
 - a. Complementary b. Substitute
 - c. Composite d. Intermediate
 17. The following may not inflate the National Income figure
 - a. Students' bursary b. Owners occupied houses
 - c. Office Inducement d. Intermediate goods
 18. Legal Entity means
 - a. A company is owned by large number of people
 - b. A company is owned by small number of people
 - c. A company is insulated against litigation
 - d. A company is not insulated against litigation
 19. In the ownership structure of joint stock company, the following is correct;
 - a. Ordinary shareholders are stronger than preferential shareholders
 - b. Preferential share holders are stronger than ordinary shareholders
 - c. Ordinary shareholders are settled first in case of company's liquidation
 - d. Ordinary and preferential shareholders are perpetual rivals
 20. The difference between the output proceedings of Nigerians abroad and foreigners in Nigeria is known as;
 - a. Net export to abroad b. Net import from abroad
 - c. Net income from abroad d. Net income to abroad
 21. A stock variable is measured;
 - a. Over a period b. At a point
 - c. Consistently d. Intermittently
 22. When Lump-sum tax is paid by a producer, it means that;
 - a. The tax is paid proportional to the quantity of output produced
 - b. The tax is paid regardless of volume of output
 - c. The tax is paid in arrears
 - d. The tax is returned to the producer after the payment
 23. The following is not correct
 - a. Average variable cost equals average total cost minus average fixed cost
 - b. Average fixed cost equals average variable cost minus average total cost
 - c. Average total cost equals average variable cost plus average fixed cost
 - d. Average total cost minus average variable cost equals average fixed cost
 24. Normal profit means;
 - a. All the accountant cost are covered but not all the economist cost
 - b. All the accountant cost are covered but not all the accountant cost
 - c. More than economist cost are covered
 - d. None of the Economist and Accountant costs is covered
 25. The following is not true of price mechanism
 - a. Equilibrium price is determined by forces of demand and supply
 - b. Individual households and firms pursue personal interest
 - c. Producers and consumers are rational in decision making
 - d. Price control is prominent in the commodity and input markets

EXPLANATIONS TO ANSWERS

1. Ordinary shareholders are also important shareholder because they exercise control in the business than any other Contributor of capital in the business. They have the right to vote at annual general meetings. Preferential shareholders are given dividend before the ordinary shareholders and can recover their investment in time of liquidation of the business. They are more prominent in the business (C)
2. Complementary goods are goods that are consumed together (C)
3. For private limited liability companies, the number of owners (shareholders) range from two to fifty while for public limited liability companies, the number ranges from seven to infinity. (A)
4. Price discrimination is a feature of monopoly whereby the market is segmental so that different prices are charged to different customers. (B)
5. If changes in the quantity purchased of a goods is
 - Less than proportionate change in its price, the good is price inelastic
 - Greater than proportionate change in its price the good is price elastic
 - Proportional to change in its price, the good is unit elastic (or unitary elastic) (A)
6. The consumption function shows the relationship between consumption and income. It indicates how much will be spent at different levels of income $C = a + by$
C is consumption
a - is autonomous consumption (i.e the amount spent even when income is 0 and which does not vary with income).
b-is the marginal propensity to consume and Y is disposable income. (C)
7. A is the answer because the indifference curve is one of the theories analyzed in the explanation of the theory of consumer behaviour as proposed by the ordinalist school of thought while the isoquant is a concept analyzed in the explanation of production function under the theory of production. (A)
8. B is the nearest to answer but not completely correct. Perfect price elastic supply means that when price is reduced, firms/sellers are not willing to supply any at all but will supply as much as they can at an increased price.
9. Change in demand occurs as a result of all other factors affecting demand apart from the price of the commodity while change in quantity demanded is caused by change in the prices of the commodity alone. (C)
10. An industry is a group of firms producing similar products while a firm is any business that hires factors of production in order to sell goods and services. (A)
11. The capital market is regulated by security and Exchange commission (SEC) not the Central bank of Nigeria (C)
12. This is because the monetary value of the workers salary rises while the real income would fall because of the inverse relationship between the real income and the rate of inflation in an economy as explained under Quantity theory of money (C)
13. Discount rate means the rate at which Central bank lends money to commercial banks and other financial institutions. The discount rate or bank rate influences the other interest rate in the economy. A higher bank rate leads to higher interest rate. (C)

14. In principle, there are three types of budget
 Balanced budget: This is where projected revenue and government expenditure are equal.
 Budget Deficit: In this case, projected government expenditure exceeds projected revenue.
 Budget surplus: This describes a budget where government revenue from taxation exceeds the government projected expenditure. (C)
15. Inflation, which refers to a persistent rise in the general price level, can be of two major types. These are demand. Pull and cost-push inflation.
 Demand-pull inflation: This type of inflation is caused by excess of demand over supply. This is when prices increase as a result of considerable increase in demand without a corresponding increase in their supply.
 Cost-push inflation: This is caused by increases in the cost of acquiring the factors of production. (C)
16. Substitute goods are alternatives that satisfy essentially the same wants or needs. For substitutes, cross elasticity of demand is positive. That is, if the price of the commodity (X) goes up, then people will begin to turn to the substitute (commodity Y) because of its more favourable relative price. (B)
17. Option A which is student bursary is a transfer payment which is avoided when calculating national income because of double counting.
 Option C (office inducement) is a type of incentive given to a worker; it is not worked for so it's not also calculated. The same thing with option D (intermediate goods). They are not included. If all these are included, there will be the problem of double counting which will inflate the national income figure. But the rent that the owner of the house should pay is to be included. (B)
18. Legal entity means that the company is recognized as a personality in law. The business can sue and be sued in its own name. It is registered as a company i.e a corporate body. Therefore since a company that is a legal entity can be sued, it means it is not insulated (protected) against litigation. (D)
19. Although, preference shareholders receive their capital before the ordinary shareholders in case of business failure, ordinary shareholders exercise more control in the business than any other persons who contributed capital. They have the right to vote at annual general meetings and have unlimited votes as compared to the preferential share holders. The ordinary shareholders may be preferable since they offer potential growth in dividend in terms of higher earning and allow the share holder a say in the company important decision making such as selection of board of directors (A)
20. This has to do with Gross National Product (GNP). It is the monetary value of goods and services produced in a country in one year plus net income from abroad. That is, it includes the earnings of the citizens or their investment in other countries, but excludes the earnings of foreigners or their investment in the country. (C)
21. B
22. A Lump-sum tax is a fixed amount no matter what the change in circumstance (B)
23. Average fixed cost equals average total cost minus average variable cost.
 That is, $AFC = ATC - AVC$ (B)
24. Normal profit represents the total opportunity cost (both

explicit and implicit) of a venture to an investor. To the economist normal profit is a cost and is included in total cost of production (B)

25. It is only under government intervention that we have price control which may be maximum or minimum price fixing. (D)

OBAFEMI AWOLOWO UNIVERSITY 2013 POST-UTME SCREENING EXERCISE

1. In the short run, all of the following are applicable except
 - A. Output may be increased by changing all factors by the same proportion
 - B. Diminishing returns
 - C. There are sunk costs
 - D. The total cost curve is the same as the total variable cost curve
2. The sum of MPS and MPC is
 - A. greater than 1 but less than infinity
 - B. greater than 0 but less than 1
 - C. equal to 1
 - D. None of the above
3. For a perfectly competitive market, the shape of the.....is horizontal while the.....is downward sloping
 - A. industry's demand curve/industry's supply curve
 - B. firm's supply curve/industry's demand curve
 - C. firm's demand curve/industry's demand curve
 - D. industry's demand curve/firm's demand curve
4. Demand for money is:
 - A. Composite demand
 - B. Derive demand
 - C. Joint demand
 - D. C and B
5. If the cross elasticity of demand between X and Y is zero, then
 - A. X and Y are substitutes
 - B. X and Y are complements
 - C. X and Y are dependent on each other
 - D. Y are independent of each other
6. Which of the following correctly defines inflation?
 - A. A one-time increase in commodity prices
 - B. A period when prices increase rapidly
 - C. A sustained increase in the overall price level
 - D. An increase in the overall level of business activity
7. If a market for good X is in disequilibrium, which of the following statements is true about the quantity of X that is actually exchanged?
 - A. It is determined by the forces of demand
 - B. It is determined by the forces of supply
 - C. It is determined by both demand and supply forces
 - D. It is determined by the forces of demand or supply, whichever is shorter
8. How can we eliminate a surplus in a commodity market?
 - A. Increase quantity supplied
 - B. Decrease quantity demanded
 - C. Allowing price to fall towards equilibrium
 - D. Allowing price to rise towards equilibrium
9. Identify one among the following which is NOT part of the objectives or functions of the African Development Bank (ADB)
 - A. Provision of technical assistance for development projects
 - B. Provision of funds for the supply and demand of infrastructural facilities

- C. Adoption of a common tariff policy for trade and development
D. Provision of fund for agricultural development
10. When the product of any one firm in an industry is not perceived by consumers as a perfect substitute for the product of any other firm in the same industry, we have
A. Perfect competition B. Monopoly
C. Oligopolist D. Monopolistic Competition
11. In which of the following situations do we have a free good?
A. At zero price, more is demanded than supplied
B. At zero price, quantity supplied exceeds quantity demanded
C. At equilibrium price, quantity supply is equal to quantity demanded
D. Any quantity can be obtained when the price is low
12. In economics, a commodity is said to have an opportunity cost because
A. The price of the commodity is high
B. The commodity is scarce
C. Another good may have been purchased instead of it
D. The commodity provides many benefits
13. One among the following options is not correct
A. Any point inside the production possibility curve indicates unemployment or underemployment
B. Increase in the price of a commodity leads to a fall in the demand for its substitute
C. The fixing of price above the equilibrium price level leads to surplus of the commodity
D. An increase in both market supply and market demand may not result in a change in equilibrium price and quantity
14. A country's aggregate consumption was ₦20 million when its GDP was N100 million. Following an increase in GDP to ₦120 million, consumption increased to ₦25 million. The marginal propensity to consume is given as
A. 0.25 B. 0.50 C. 0.75 D. 0.80
15. Which of the following is not a measure for controlling inflation by the central bank?
A. Open market operation B. Reserve requirements
C. Sale of treasury bills
D. Change of Central Bank Governor
16. A 50% increase in the quantity demanded of a commodity, following a 100% decrease in its price, shows that the commodity has
A. Fairly elastic demand B. Unitary elastic demand
C. Inelastic demand D. Perfectly elastic demand
17. As total utility is increasing, marginal utility is
A. Negative and decreasing
B. Positive and increasing
C. Positive and decreasing D. Zero
18. Which of the following statements is true?
A. Disposable income is the only variable that determines consumption
B. Investment spending is positively related to the rate of interest
C. Imports lead to a decrease in the level of exports
D. Imports lead to a decrease in spending on locally produced goods and services
19. Which of the following will benefit a producer who wants to maximize profit?
A. reduce price when demand is inelastic
B. increase price when demand is elastic
C. reduce price when demand is elastic
D. fixed the price of his commodity based on the price of other producers
20. Based on the fact that demand curve shows the maximum price at which consumers will buy, it then shows
A. average benefit B. marginal benefit
C. total benefit D. optimal satisfaction
21. Money that a government has required to be accepted in settlement of debts is
A. commodity money B. currency value
C. barter D. legal tender
22. Which of the following is one of the responsibilities of the Central Bank of Nigeria?
A. Issuing new bond to finance Public sector borrowing requirements
B. auditing the various agencies and departments of government
C. loaning money to other countries that transact business with Nigeria
D. assisting banks that are in financial position
23. The law of comparative cost and absolute cost advantage are not the same in that;
A. Former require that one of the countries has absolute advantage in the two goods but latter does not
B. Former requires one country to have at least absolute advantage in one of the trading goods over the other country but latter does not
C. Former does not require any of the country to have absolute advantage in any of the two goods but latter require that one of the countries should have absolute advantage in all the goods
D. Former does not require any of the country to have absolute advantage in any of the two goods but latter require that one of the countries should have absolute advantage in at least one of the goods
24. When demand for a product is price inelastic, the following can happen
A. Consumers suffer the entire increase in tax on the product.
B. producer suffers the entire increase in tax on the product.
C. Producers suffer larger proportion of the increase in tax on the product
D. Consumers suffer larger proportion of the increase in tax on the product
25. Disposable income means;
A. Income that is lost after tax has been removed
B. Income that could be spent when tax has been removed
C. Income that tax authority mandated to be given to charity when tax has been removed
D. Income to be disposed secretly for future spending after tax has been removed

ANSWERS

1. A 6. C 11. B 16. C 21. D
2. C 7. D 12. C 17. A 22. A
3. C 8. C 13. B 18. D 23. D
4. B 9. C 14. - 19. C 24. D
5. D 10. A 15. D 20. B 25. B