



JOINT UNIVERSITIES PRELIMINARY EXAMINATIONS BOARD

JUNE 2020 EXAMINATIONS

JUPEB/007

ECONOMICS

MSS – J133

Time Allowed: 3 Hours

SECTION A: MULTIPLE CHOICE QUESTIONS

Answer all questions in this section.

Use the OMR answer sheet provided to answer the questions. Follow the instructions on the OMR sheet.

SECTION B: ESSAY QUESTIONS

Answer FOUR questions; ONE question from each course.

SECTION A: MULTIPLE CHOICE QUESTIONS

Answer ALL Questions.

1. Which of the following is constant on the typical indifference curve?
 - A. average utility
 - B. marginal utility
 - C. fixed utility
 - D. total utility

2. In economics, the mathematical expressions between two or more variables is known as
 - A. equality.
 - B. identity.
 - C. equation.
 - D. variables.

3. A perfectly inelastic supply curve is
 - A. a straight vertical line.
 - B. a straight horizontal line.
 - C. an upward sloping line.
 - D. a downward sloping line.

4. What is public good?
 - A. A good whose consumption by one individual does not reduce the amount available for others.
 - B. A good whose consumption by one individual reduces the amount available for others.
 - C. A good in which it is impossible for two persons to consume it together at the same time.
 - D. A good in which price is the main determinant of its consumption

5. Which of the following is most likely to have inverse relationship?
 - A. Price and quantity supplied.
 - B. Income and quantity consumed.
 - C. Taxes and quantity bought.

- D. Tastes and quantity demanded.
6. When an increase in the price of steel causes an increase in the production of cars, then supply is
- complementary.
 - composite.
 - competitive.
 - derived.
7. A good whose consumer purchases more as its price declines can be described as
- inferior good.
 - giffen good.
 - ostentatious good.
 - normal good.
8. A firm declares normal profit of ₦400. If the owner invests ₦5000 and interest rate on bond is 10%, this means that the firm
- should continue to produce and invest in bonds.
 - should discontinue production and invest in bond.
 - is making economic profit and investing in bond.
 - is a sole trader who invests in bond.
9. In calculating cross price elasticity of demand, which of these statements is true?
- The latter involves two commodities while the former is one commodity.
 - The former involves two commodities while the latter is one commodity.
 - The latter requires income of the consumer while the former does not.
 - The former requires income while the latter does not.
10. In practice, governments usually levy taxes on
- Merit goods.
 - Social goods.
 - Private goods.
 - Demerit goods.

11. At the profit-maximizing level of output,
- A. $\frac{\Delta\pi}{\Delta Q} = 0$
 - B. $\frac{\Delta\pi}{\Delta Q} > 0$
 - C. $\frac{\Delta\pi}{\Delta Q} < 0$
 - D. $\frac{\Delta\pi}{\Delta Q} = 1$
12. Bread and water are said to be jointly demanded, if the increase in price of bread makes the
- A. quantity demanded for water to rise.
 - B. quantity demanded for water to fall.
 - C. price of water to rise.
 - D. price of water to fall.
13. All Chinese are racists, Dr. Yeung is a Chinese and therefore, he is a racist. This statement is
- A. inductive reasoning.
 - B. deductive reasoning.
 - C. positive statement.
 - D. normative statement.
14. A perfectly competitive firm is preferred to a monopolist because the perfect competitor
- A. produces more output than monopolist.
 - B. charges less price than monopolist.
 - C. makes less profits than monopolist.
 - D. improves welfare more than monopolist.
15. The liquidity preference hypothesis was introduced by
- A. Adam Smith.
 - B. Alfred Marshall.
 - C. David Ricardo.
 - D. John Maynard Keynes.

16. An increase in national income is likely to
- A. decrease exports.
 - B. decrease savings.
 - C. decrease investment.
 - D. increase imports.
17. Which of the following is the major source of government revenue in Nigeria?
- A. Fines.
 - B. Foreign grants.
 - C. Loans.
 - D. Taxes.
18. Optimum population is attained when
- A. population is greater than resources and technology.
 - B. population is less than resources and technology.
 - C. population matches natural resources and technology.
 - D. population is greater natural resources and technology.
19. Which of the following types of unemployment is caused by changes in the technology?
- A. Frictional unemployment.
 - B. Structural unemployment.
 - C. Cyclical unemployment.
 - D. Seasonal unemployment.
20. Using the income method of computing the National Income of a country, which of the following is excluded?
- A. Value added tax.
 - B. Net wages and salaries.
 - C. Transfer payments.
 - D. Interest and dividends earned.
21. The following are negative effects of inflation EXCEPT

- A. increase in real income.
 - B. discouragement in lending.
 - C. borrowers' gain.
 - D. value of imports may increase.
22. Aggregate demand curve shifts to the left when there
- A. are income tax cuts.
 - B. is fall in interest rates.
 - C. is increase in domestic inflation.
 - D. is discovery of new resources.
23. Which of the following falls with increase in income?
- A. $MPC - MPS$
 - B. $MPS - MPC$
 - C. MPC
 - D. MPS
24. The purchase of government bonds from the public in the open market by the Central Bank of Nigeria will
- A. increase the supply of money.
 - B. increase the interest rate.
 - C. increase the discount rate.
 - D. decrease the reserve requirement.
25. Which of the following equations describes an open economy?
- A. $Y = C+I+G+X$
 - B. $Y = C+I+G+X-M$
 - C. $Y = C+I+S+G$
 - D. $Y = C+I+S+M$
26. International trade is different from internal trade because of the
- A. manufactured goods involved.
 - B. currency differential.
 - C. homogeneity of prices.

- D. heterogeneity of prices.
27. As income level increases from ₦500 to ₦1000, consumption increases from ₦700 to ₦1,000. The marginal propensity to consume is
- A. 1.10
 - B. 0.80
 - C. 0.60
 - D. 0.50
28. One reason for requiring commercial banks to maintain balances with Central bank of Nigeria is that these balances
- A. provide the maximum amount of reserves a bank would ever need in operation of banks.
 - B. give the Central Bank of Nigeria more control over the money-creating operations of banks.
 - C. ensure that banks do not make excessive profits in their operations.
 - D. assist the treasury in refinancing government debt for banking operations.
29. Balance of Payments is also known as
- A. balance of credit.
 - B. balance of international payment.
 - C. balance of goods and services.
 - D. balance of deficit.
30. The money, whose face value is equal to its intrinsic value is called
- A. credit money.
 - B. paper money.
 - C. standard money.
 - D. token money.
31. Balance of Payments deficit account may be financed by the following EXCEPT
- A. selling investments overseas.
 - B. decreasing the assets of foreigners.
 - C. borrowing from foreign government.

- D. using the country's foreign reserves.
32. The level of economic development is low in Nigeria because
- planning has no practical relevance.
 - of the pattern of consumers' spending.
 - the country is over-populated.
 - of ineffective plan implementation.
33. The conversion of private properties into public one is known as
- state accumulation.
 - localisation.
 - nationalisation.
 - federalisation.
34. Human capital refers to
- the acquisition of plant and equipment by workers.
 - the amount of financial investment made by individuals.
 - the labour force requirement for sustained economic growth.
 - the education and the experience of the working force.
35. In a situation where two countries A and B produce two goods Rice and Beans respectively with 100 units of labour each. Country A produces 50 tons of Rice and 30 tons of beans and country B produces 70 tons of Rice and 20 tons of Beans. If country B were to consider the theory of comparative advantage, what would be her decision?
- Specialize in the production of Beans.
 - Specialize in the production of Rice.
 - Specialize in the production of both goods.
 - Interchange the production of both goods.
36. The business cycle flows in one of the following sequences.
- Prosperity – Recession – Depression – Recovery.
 - Prosperity – Depression – Recession – Recovery.
 - Recession – Depression – Recovery – Prosperity.
 - Recovery – Recession – Depression – Recovery.

37. When an economy devalues its currency, the value of its exports becomes
- smaller.
 - larger.
 - cheaper.
 - expensive.
38. A country's GDP is ₦50bn. Its current account balance is 8% of GDP, and capital and financial account balance is ₦4billion. What are the country's balances on net errors and omissions?
- ₦2billion.
 - ₦0billion.
 - ₦8billion.
 - ₦4billion.
39. Which economic growth theory advocated massive investment in several industries simultaneously?
- Balanced growth.
 - Dualism.
 - Neoclassical theory.
 - Schumpeterian theory.
40. If Nigeria increases tariffs on most foreign goods, then
- Nigeria standard of living would be higher
 - more foreign goods would be purchased by Nigerians
 - prices of domestic goods would increase
 - prices of domestic goods would decrease
41. Identify one of the following that fits into the components of aggregate expenditure.
- Interest rate.
 - Consumption.
 - Wealth.
 - Fiscal policy.

42. OPEC is an international organisation known for
- instigating wars.
 - creating platforms for economic policies.
 - coordinating petroleum policies.
 - financing developmental projects.
43. Natural rate of unemployment is defined as the unemployment that
- occurs due to insufficient demand.
 - makes inflation stable.
 - gives equilibrium level of output.
 - occurs due to mismatch in skills.
44. The following are objectives of Development Plans EXCEPT
- to increase the employment rate.
 - to attract foreign investment.
 - to ensure balanced growth of all sectors of the economy.
 - efficient utilization of available resources.
45. Moses lost his computer engineering job when it was outsourced to a company abroad. After looking unsuccessfully for several months for another job, he gave up and returned to school to receive training to become a physical therapist. Currently, Moses is classified as
- structurally unemployed in the labour force.
 - unemployed in the labour force.
 - underemployed in the labour force.
 - not in the labour force.
46. Which one among the following exhibits market based supply side policy?
- Nationalisation of private assets
 - Promotion of monopoly and cartel laws
 - Embargo on oversea trade and investment
 - Reducing red tape to cut the cost of doing business

47. If over the past 12 months, prices of goods and services increased by 10 percent, population by 3 percent and nominal national income by 12 percent, then
- A. real national income has increased.
 - B. real income per capita has decreased.
 - C. real income per capita has increased.
 - D. real national income has decreased.
48. Which of the following is NOT a cost of long-run economic growth?
- A. An increase in working hours of the population.
 - B. An increase in inflation.
 - C. An increase in environmental degradation.
 - D. A greater inequality in the distribution of income.
49. If the output produced by a country in a year is valued at ₦7.5 billion, a GDP growth rate at 1.3 per cent per annum and employees at work at 150 million. Evaluate the labour productivity.
- A. 65
 - B. 50
 - C. 38
 - D. 20
50. Assume a government increases the salaries of her work force and that led to rise in the general price level. What measure would be most appropriate to solve the problem?
- A. Increase production.
 - B. Wage control.
 - C. Increase importation.
 - D. Reduce tax.

SECTION B: ECONOMICS ESSAY QUESTIONS

Answer **FOUR** Questions; **ONE** from each Course.

ECN 001: PRINCIPLES OF ECONOMICS I

1. Using appropriate illustrations and examples, explain how economic problems of a society are solved in different economic systems. **[15 marks]**

2. (a) Distinguish between the following cost concepts:
 - i. Implicit cost and explicit cost. **[3 marks]**
 - ii. Fixed cost and variable cost. **[3 marks]**
 - iii. Average cost and marginal cost. **[3 marks]**(b) Explain any four features of a perfectly competitive firm. **[6 marks]**

ECN 002: PRINCIPLES OF ECONOMICS II

3. Consider the Nigerian income model where:

$$Y = C + I + G + (NX)$$

$$C = 200 + 0.75Y^d$$

$$I = 100$$

$$G = 100$$

$$T = 0.2(Y - 40)$$

$$NX = 100 - 0.15Y$$

Calculate:

- (a) Geometrically derive the equilibrium level of income. **[3 marks]**
- (b) Equilibrium level of income **[3 marks]**
- (c) The value of consumption expenditure **[2 marks]**
- (d) The value of net export **[1 mark]**
- (e) The value of tax revenue **[1 mark]**
- (f) From your analysis, what nature of budget is operating in the Nigerian economy? **[2½ marks]**
- (g) What are the effects of foreign trade on the equilibrium income of Nigerian economy? **[2½ marks]**

4. (a) Define the term 'national debt' [3 marks]
(b) What are the reasons for public debt? [6 marks]
(c) How could domestic debt be managed? [6 marks]

ECN 003: APPLIED ECONOMICS I

5. (a) With reference to the Nigerian economy, enumerate the developmental objectives of an economy. [7½marks]
(b) List and explain common features of a developing country. [7½marks]
6. (a) Assess the socio-economic effects of increasing population on the Nigerian economy. [10 marks]
(b) How could an increase in population in Nigeria be curtailed? [5 marks]

ECN 004: APPLIED ECONOMICS II

7. (a) With the aid of an appropriate diagram, describe the concept of "minimum wage". [5 marks]
(b) Analyse the socio-economic implications of fixing the minimum wage at ₦30,000 per month as embedded in the proposed 2019 Federal Government National Budget. [10 marks]
8. Highlight the possible trade-off that may occur between the following macroeconomic goals:
- (a) Price stability and full employment. [5 marks]
(b) Economic growth and price stability. [5 marks]
(c) Balance of payments equilibrium and full employment. [5 marks]