

# WASSCE / WAEC 2011 May / June Economics Past Question Paper 2 & 1

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S2032&1 WASSCE May/June 2011 ECONOMICS 2 & 1 Essay and Objective 3 hours 50 minutes	<b>2&amp;1</b>
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2  
Name.....  
Index Number.....

THE WEST AFRICAN EXAMINATIONS COUNCIL

West African Senior School Certificate Examination

May/June 2011

ECONOMICS 2 & 1

3 hours 50 minutes

*Do not open this booklet until you are told to do so. While you are waiting, read and observe the following instructions carefully. Write your name and index number in the spaces provided above.*

*This booklet consists of two papers. Answer Paper 2 which comes first, in your answer booklet and Paper 1 on your Objective Test answer sheet. Paper 2 will last 3 hours after which the answer booklets will be collected. Do not start Paper 1 until you are told to do so. Paper 1 will last 50 minutes.*

PAPER 2  
ESSAY  
[100 marks]

Answer **five** questions in all: **one** question **only** from section A and any **four** questions from section B.

You are reminded of the importance of clarity of expression and orderly presentation of relevant material.

All questions carry equal marks.

## SECTION A

Answer **one** question **only** from this section.

1. The table below shows the total and marginal utilities of a consumer as he purchases various units of ice cream.

Quantity	Total utility	Marginal utility
1	12	12
2	A	8
3	26	B
4	30	4
5	32	C
6	D	0
7	30	-2

- (a) Find the values of A, B, C and D. [6 marks]
- (b) Explain the economic law illustrated by the marginal utility column. [4 marks]
- (c) At what level of consumption does the consumer maximize total utility? [4 marks]
- (d) Suppose the consumer has \$10 to spend on ice cream and the price of ice cream is \$2. How many units of ice cream will he consume to be in equilibrium? Explain your answer. [6 marks]
2. The table below shows the output, cost and revenue situations of a firm. Study the table and answer the questions that follow.

Q	TVC	TC	MC	P	TR	MR
0	0	150	0	200	0	-
1	110	S	110	175	175	175
2	170	320	T	150	300	125
3	R	366	46	135	405	105
4	250	400	34	120	U	75
5	295	445	45	105	525	45
6	360	510	65	90	540	V

- (a) What is the fixed cost of the firm? Explain your answer. [3 marks]
- (b) Determine the values of R, S, T, U and V. [10 marks]

- (c) At what quantity and price is the firm in equilibrium? [2 marks]
- (d) Calculate the profit or loss at the equilibrium position. [2 marks]
- (c) In what market is the firm operating? Explain your answer. [3 marks]

## SECTION B

Answer **four** questions **only** from this section.

3. (a) Define *cross elasticity* of demand. [4 marks]
- (b) With diagrams and specific examples, explain the effects of  
 (i) an increase in the price of commodity M on the quantity demanded and the price of commodity N where M and N are complements. [8 marks]  
 (ii) a decrease in the price of commodity A on the quantity demanded and the price of commodity B, where A and B are substitutes. [8 marks]
4. (a) Define *production*. [4 marks]
- (b) Explain any **four** economies of large scale production. [16 marks]
5. (a) Explain *opportunity cost*. [4 marks]
- (b) Of what importance is opportunity cost to the  
 (i) individual; [4 marks]  
 (ii) firm; [4 marks]  
 (iii) government. [4 marks]
- (c) Differentiate between money cost and social cost. [4 marks]
6. (a) What is a *Consumers' Co-operative Society*? [4 marks]
- (b) Highlight any **four** features of a co-operative society. [16 marks]
7. (a) What is *monopoly*? [4 marks]
- (b) Explain **four** ways in which a monopoly can arise. [16 marks]
8. (a) What is *maximum price legislation*? [5 marks]
- (b) State **three** reasons why government imposes maximum price control. [9 marks]
- (c) Outline **two** problems associated with maximum price legislation. [6 marks]
9. (a) Define *price discrimination*. [4 marks]
- (b) Explain any **four** conditions that make price discrimination possible. [16 marks]
10. (a) (i) What is an *optimum population*? [4 marks]  
 (ii) Give reasons why optimum population is considered ideal population for a country. [4 marks]
- (b) Outline any **three** economic effects of over population. [12 marks]
11. (a) Explain the term *location of a firm*. [4 marks]
- (b) Highlight **four** factors that influence location of a firm. [16 marks]

**Turn over**

12. (a) Define *government budget*. [4 marks]
- (b) Distinguish between  
(i) recurrent revenue and capital receipts; [4 marks]  
(ii) capital expenditure and recurrent expenditure. [4 marks]
- (c) Highlight any **two** aims of a budget. [8 marks]



# DO NOT TURN OVER THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

**YOU WILL BE PENALIZED SEVERELY IF YOU ARE  
FOUND LOOKING AT THE NEXT PAGE BEFORE  
YOU ARE TOLD TO DO SO.**

PAPER 1

50 minutes

OBJECTIVE TEST

[50 marks]

1. Use 2B pencil throughout.
2. On the pre-printed answer sheet, check that the following details are **correctly** printed:
  - (a) In the space marked *Name*, check your **surname** followed by your **other names**.
  - (b) In the spaces marked *Examination*, *Year*, *Subject* and *Paper*, check 'WASSCE May/June', '2011', 'ECONOMICS', and '1' in that order.
  - (c) In the box marked *Index Number*, your **index number** has been printed vertically in the spaces on the left-hand side, and each numbered space has been shaded in line with each digit. **Reshade** each of the shaded spaces.
  - (d) In the box marked *Subject Code*, the digits 203112 are printed vertically in the spaces on the left-hand side. **Reshade** the corresponding numbered spaces as you did for your index number.
3. An example is given below. This is for a female candidate whose *name* is Araba Dede NAFISA. Her *index number* is 7102143958 and she is offering *Economics* 1.

## THE WEST AFRICAN EXAMINATIONS COUNCIL

### ANSWER SHEET

PRINTED IN BLOCK LETTERS.		GHA
Name: <u>NAFISA ARABA DEDE</u>		
Examination: <u>WASSCE May/June</u>	Year: <u>2011</u>	
Subject: <u>ECONOMICS</u>	Paper: <u>1</u>	

#### INSTRUCTIONS TO CANDIDATES

1. Use grade 2B pencil throughout.
2. Answer each question by choosing one letter and shading it like this:  A  B  C  D  E
3. Erase completely any answer you wish to change.
4. Leave extra spaces blank if the answer spaces provided are more than you need.
5. Do not make any markings across the heavy black marks at the right hand edge of your answer sheet.

INDEX NUMBER	
7	0 1 2 3 4 5 6 7 8 9
1	0 1 2 3 4 5 6 7 8 9
0	0 1 2 3 4 5 6 7 8 9
2	0 1 2 3 4 5 6 7 8 9
1	0 1 2 3 4 5 6 7 8 9
4	0 1 2 3 4 5 6 7 8 9
3	0 1 2 3 4 5 6 7 8 9
9	0 1 2 3 4 5 6 7 8 9
5	0 1 2 3 4 5 6 7 8 9
8	0 1 2 3 4 5 6 7 8 9

SUBJECT CODE	
2	0 1 2 3 4 5 6 7 8 9
0	0 1 2 3 4 5 6 7 8 9
3	0 1 2 3 4 5 6 7 8 9
1	0 1 2 3 4 5 6 7 8 9
1	0 1 2 3 4 5 6 7 8 9
2	0 1 2 3 4 5 6 7 8 9

For Supervisors only

If candidate is absent  
shade this space

Answer **all** the questions.

Each question is followed by **four** options lettered A to D. Find out the correct option for each question and shade **in pencil** on your answer sheet the answer space which bears the same letter as the option you have chosen. Give only **one** answer to each question. An example is given below.

Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses. *Ends* here refers to

- A. input.
- B. wants.
- C. choice.
- D. output.

The correct answer is wants, which is lettered B, and therefore answer space B would be shaded.

A  B  C  D  E

Think carefully before you shade the answer spaces; erase completely any answer(s) you wish to change.

Do all rough work on this question paper.

Now answer the following questions.

1. Which of the following activities is dominated by large scale production in West Africa?
  - A. Housing
  - B. Fisheries
  - C. Food production
  - D. Mining
2. Economic resources are limited in
  - A. poor countries.
  - B. rich countries.
  - C. developed countries.
  - D. all countries.
3. Which of the following is **not** an advantage of the capitalist system?
  - A. Availability of variety of commodities
  - B. Lower prices due to competition
  - C. Better quality of production
  - D. Unequal distribution of income
4. The diagram which shows the relationship between two variables is a
  - A. bar chart.
  - B. pie chart.
  - C. graph.
  - D. pictogram.
5. The relationship between price and quantity demanded is
  - A. direct.
  - B. linear.
  - C. inverse.
  - D. diverse.
6. The concept which measures how responsive consumers are to changes in the price of a product is
  - A. utility.
  - B. differentiation.
  - C. standardization.
  - D. elasticity.

7. The fall in the price of a good causes the poor to buy less of such good. This is
- A. a refutation of the law of demand.
  - B. a confirmation of consumer behaviour.
  - C. an exception to the law of demand.
  - D. the basic law of consumer behaviour.
8. If the demand for a commodity decreases as income increases, it is said to be
- A. an inferior good.
  - B. luxury good.
  - C. normal good.
  - D. a capital good.
9. If sugar is complementary to tea, a rise in the price of sugar will
- A. decrease the demand for tea.
  - B. increase the demand for tea.
  - C. leave the demand for tea unchanged.
  - D. make the supply of tea constant.
10. The ease of substitution is an important determinant of
- A. elasticity.
  - B. income.
  - C. inflation
  - D. foreign exchange.
11. Supply of a commodity is **not** affected by changes in
- A. technology.
  - B. time.
  - C. income.
  - D. weather.
12. Elasticity of supply is measured by the ratio of the
- A. change in price to the change in quantity.
  - B. change in quantity to the change in price.
  - C. percentage change in price to the percentage change in quantity.
  - D. percentage change in quantity to the percentage change in price.
13. Which of the following can have a backward-bending supply curve?
- A. Milk
  - B. Cars
  - C. Capital
  - D. Labour
14. As price rises, producers supply more; and as price falls, producers supply less. This is
- A. a change in supply.
  - B. an increase in supply.
  - C. a decrease in supply.
  - D. a change in quantity supplied.
15. Price has no effect on demand if
- A. supply is perfectly elastic.
  - B. demand is perfectly inelastic.
  - C. demand is perfectly elastic.
  - D. supply is perfectly inelastic.

**Turn over**



16. All consumers are expected to maximize
- A. utility.
  - B. efficiency.
  - C. profit.
  - D. investments.
17. Which of the following **best** describes *utility*? The satisfaction
- A. derived from consuming an additional unit of a commodity
  - B. given up for manufactured goods
  - C. derived from consuming a good or service
  - D. derived by those addicted to the consumption of certain goods
18. The marginal utility curve slopes
- A. downwards from left to right.
  - B. upwards from right to left.
  - C. downwards from right to left.
  - D. upwards from left to right.
19. Yam can be regarded as a capital good if it is
- A. saved for future consumption.
  - B. sold at a high price.
  - C. used in the production of more yams.
  - D. consumed outside the area where it was produced.
20. Which of the following factors of production earns profit?
- A. Labour
  - B. Land
  - C. Entrepreneur
  - D. Capital
21. Which of the following shows the existence of economies of scale? When
- A. economic task can be divided among a number of workers
  - B. workers in the firm are given the opportunity to do what they are best at
  - C. the expansion of the firm lowers the unit cost of production
  - D. various stages of production can be allocated to different workers
22. The law of diminishing returns is a short run phenomenon because
- A. the marginal product can be negative.
  - B. at least one factor is fixed.
  - C. the marginal product can be varied.
  - D. at least all factors can be varied.
23. Which of the following is **true** about *total cost*?
- A. It rises with the level of output
  - B. It declines when diseconomy of scale sets in
  - C. It declines when input price rises
  - D. It rises with the level of profit
24. Which of the following cost declines continuously as output increases?
- A. Total Cost
  - B. Average Cost
  - C. Average Fixed Cost
  - D. Average Variable Cost



25. A public limited liability company is owned by the
- government of the country.
  - shareholders of the enterprise.
  - directors of the enterprise.
  - workers of the enterprise.
26. In the event of a limited liability company going into liquidation, each shareholder
- may lose only what was invested.
  - loses nothing.
  - loses what was invested and his private property.
  - loses his financial investment and cash holdings.
27. Public corporations in West Africa are set up to
- show that the government can do business.
  - make profit only.
  - provide welfare services for the people.
  - provide jobs for the politicians only.
28. A firm's profit is the
- difference between total revenue and price.
  - amount by which total cost exceeds total revenue.
  - amount by which total revenue exceeds total cost.
  - total cost plus total revenue.
29. In which of the following market situations does advertising have no place?
- Perfect competition
  - duopoly
  - Monopolistic competition
  - Oligopoly
30. A monopolist maximizes profit at an output level where
- marginal cost equals price.
  - marginal cost equals marginal revenue.
  - marginal cost equals average cost.
  - total cost equals price.
31. If an increase in price of a product brings about an increase in total revenue, the demand for the product is
- fairly elastic.
  - fairly inelastic.
  - unitary elastic.
  - infinitely elastic.
32. One of the arguments against the presence of middlemen in the distribution chain is that they
- cause increase in the prices of goods.
  - are commissioned agents.
  - can be found almost any where.
  - grade and blend goods.
33. The rate of natural increase in population can be obtained by
- comparing the death rate with the birth rate.
  - subtracting emigration from immigration.
  - calculating the crude birth rate.
  - estimating the mortality rate

**Turn over**

34. A country's population is denoted in year 2000 by  $P_1$  and in 2010 by  $P_2$ .  
Given that B = Birth rate, D = Death rate, I = Immigration, E = Emigration,  $P_2 =$
- $D - B + I - E.$
  - $E - I - D + B.$
  - $P_1 - D + B + E - I.$
  - $P_1 + B - D + I - E.$
35. One effect of minimum wage is
- increase in the number of people employed.
  - fall in the wage rate paid to workers.
  - reduction of the number of people employed.
  - reduction on the number of people willing to work.
36. Subsistence farming means producing food crops **mainly**
- for export.
  - for sale.
  - for the immediate family.
  - to satisfy the economy.
37. Cocoa in West Africa is produced in
- subsistence farms.
  - peasant farms.
  - state farms.
  - expatriate farms.
38. Which of the following industries is likely to be located near the market?
- Bread
  - Steel
  - Car
  - Sugar
39. Which of the following sectors' contribution to the GDP is likely to fall as the economy develops?
- Primary
  - Secondary
  - Utilities
  - Services
40. Intermediate transactions are excluded from the calculation of the national income because
- their values cannot be accurately calculated.
  - their values are unstable.
  - there is the need to avoid double counting.
  - there is the need to inflate the aggregate.
41. The standard of living of a developing country can be retarded by a heavy expenditure on
- human capital.
  - economic infrastructure.
  - consumer goods.
  - national defence.
42. National Income Statistics are used for the following **except** to
- indicate the overall living standard in a country.
  - determine population growth rate in a country.
  - assist the government to plan the economy.
  - properly compare the national growth of several countries.

43. Cheques are not considered as part of money supply because
- A. they are issued in different forms by commercial banks.
  - B. their quantity does not have any impact on money supply.
  - C. their validity is limited to six months.
  - D. they are not printed by the central bank.
44. A high speculative demand for money is associated with
- A. low interest rate.
  - B. high interest rate.
  - C. low level of income.
  - D. high level of unemployment.
45. The management of exchange rates is the responsibility of
- A. merchant banks.
  - B. commercial banks.
  - C. mortgage banks.
  - D. central banks.
46. Indirect taxes are levied on
- A. revenue.
  - B. expenditure.
  - C. income.
  - D. traders.
47. The effect of tax upon the demand and supply situation can be demonstrated by moving the
- A. supply curve to the right.
  - B. supply curve vertically upwards.
  - C. demand curve to the right.
  - D. demand curve vertically upwards.
48. International trade is definitely **not**
- A. multilateral trade.
  - B. unilateral trade.
  - C. bilateral trade.
  - D. trade among West African countries.
49. Dumping is considered to be a form of
- A. conditional sale.
  - B. price discrimination.
  - C. black marketing.
  - D. product differentiation.
50. An unfavourable balance of trade means that a country's
- A. total receipts exceed total payments
  - B. total imports exceed the total exports.
  - C. invisible imports exceed the invisible exports.
  - D. visible imports exceed the visible exports.

***END OF PAPER***

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