



UNIVERSITY OF MINES AND TECHNOLOGY, TARKWA
FIRST SEMESTER EXAMINATION, APRIL 2023 Unihubgh.com

COURSE NO: GM/GL/MN/MR/PE/ES/MC/EL/MA/CE/RN 461

COURSE NAME: PRINCIPLES OF ECONOMICS

CLASS: ALL BSc IV

TIME: 2 HOURS

Name: _____ Index Number: _____

Answer all questions the answer booklet

SECTION A: Answer all questions in this section

1. The basic question all economic systems try to answer first is
 - a. What to produce
 - b. How to produce
 - c. For whom to produce
 - d. How much to produce
2. A consumer draws a scale of preference because he/she has
 - a. limited wants
 - b. to minimize satisfaction
 - c. unlimited resources
 - d. to prioritise his/her wants
3. Which argument can be used in favour of a capitalist economy?
 - a. It enables consumers to show their preferences for goods
 - b. It ensures that all capital resources are used
 - c. It guarantees full employment
 - d. It leads to an equal distribution of wealth
4. One of the following is NOT a factor of production?
 - a. Immigrant workers
 - b. Infrastructure such as motorways and drains
 - c. Money held in bank accounts
 - d. Reserves of oil and gas not yet exploited
5. Economic growth can be shown by
 - a. An inward shift of the production possibility frontier
 - b. A movement down the production possibility frontier
 - c. An outward shift of the production possibility frontier
 - d. A movement up the production possibility frontier
6. By *scarcity*, economists mean that
 - a. You cannot always get what you want
 - b. You cannot eat your cake and have it too
 - c. Beggars cannot be choosers
 - d. Poverty is the root of all evil
7. When UMaT students leave town for the holidays, the demand for meals at the local restaurants declines. This results in
 - a. A decrease in equilibrium price and an increase in quantity
 - b. An increase in equilibrium price and quantity
 - c. A decrease in equilibrium price and quantity
 - d. An increase in equilibrium price, and a decrease in quantity

Use the following general linear supply function to answer questions 8 and 9

$$Q_s = 60 + 8P - 4P_1 + 20F$$

where Q_s is the quantity supplied of the good, P is the price of the good, P_1 is the price of an input, and F is the number of firms producing the good

8. When $P_1 = \text{GH}20$ and $F = 60$, the INVERSE supply function is
- $P = 132.5 + 0.125Q_s$
 - $P = -147.5 + 0.125Q_s$
 - $P = 147.5 + 8Q_s$
 - $P = 260 + 8Q_s$
9. Again, suppose $P_1 = \text{GH}20$ and $F = 60$, what is the lowest price that will induce firms to supply 1,500 units of output?
- GH 335
 - GH 320
 - GH 40
 - GH 60
10. Which of the following will cause a change in quantity supplied?
- Technological change
 - A change in market price of the good
 - A change in the input prices
 - A change in the number of firms in the market
11. The three groups of decision makers in the economy are
- Households, business firms, and banks
 - Households, business firms, and governments
 - Business firms, banks, and foreign traders
 - Households, governments, and bank
12. If the price elasticity of DVD players is -1.5 and price decreases 20%, what happens to the quantity of DVD players demanded?
- Quantity increases by 7.5%
 - Quantity increases by 30%
 - Quantity decreases by 13%
 - Quantity decreases by 1.5%
13. Kumasi Metropolitan Assembly (KMA) recently announced that it will increase the entrance fees at its Rattray Park in order to increase park revenues. KMA must believe that
- The demand for theme park attractions is elastic
 - Rattray Park goers are very responsive to price changes
 - Demand is unitary elastic, and thus the number of visitors will NOT decrease
 - The percentage increase in fees will be greater than the percentage decrease in the number of Rattray Park visitor
14. The Ghanaian economy is best described as
- Closed Economy
 - Command Economy
 - Market Economy
 - Mixed Economy
15. Which of the following is a normative statement?
- The economy grew at a rate of 4%
 - The year-on-year inflation of December was 39%
 - The average rate of interest on loans is 38%
 - The unemployment rate ought to be less than 9.8%
16. If a sin tax is placed on sales of alcohol
- The demand curve shifts to the left
 - The demand curve shifts to the right
 - The supply curve shifts to the left
 - The supply curve shifts to the right
17. Total revenue increased for a firm operating in the elastic range of its demand curve. Which of the following statements is correct?
- Quantity demanded must have increased
 - The firm must have raised price

- c. The firm must have lowered price
d. The firm must have reduced supply
18. Which one of the following does NOT occur in perfect competition?
a. There are significant restrictions on entry into the industry
b. There are many buyers
c. No single firm can exert a significant influence on the market price of the good
d. There is complete knowledge of information
19. To achieve more market power, firms can
a. Differentiate their products from the products of their rivals
b. Lobby the government to eliminate barriers to entry
c. Reduce their costs of production
d. Advertise that they charge low prices
20. Marginal revenue is equal to price for which one of the following types of market structure?
a. Monopoly
b. Perfect competition
c. Monopolistic competition
d. Oligopoly
- * 21. The price elasticity of demand for any particular perfectly competitive firm's output is
a. Less than one
b. zero
c. infinity
d. One
22. Which index is the most commonly used to measure inflation in Ghana?
a. Consumer price index
b. Producer price index
c. GDP deflator index
d. Revenue index
23. For a market to be characterised by monopoly, there must be
a. A large number of firms with no one able to influence price
b. Barriers to entry and exit
c. Indistinguishable products being sold
d. Good information about sales and costs
24. Which of the following is the best example of a perfectly competitive market?
a. Mobile phone market
b. Foreign exchange market
c. Athletic shoes market
d. Laptop market
- * 25. When government recruit people to serve in the army, the recruits are no longer available to do other work. This decision best illustrates
a. Opportunity cost
b. Scarcity
c. Marginal benefit
d. Choice
26. Paper currency is known as "*fiat money*" because
a. It is a decreed legal tender
b. Only a small fraction of total currency is in coins
c. It cannot be counterfeited
d. It is accepted by all
27. Which function of money conveniently allows a way of placing value on goods and services?
a. Medium of exchange
b. Unit of account
c. Store of value
d. Standard for deferred payment
28. Banks create money by
a. Printing it
b. Accepting cheques
c. Lending out part of their deposits
d. Issuing debit cards
29. Inflation
a. Always reduces the cost of living
b. Always reduces the standard of living
c. Reduces the prices of products
d. Reduces the purchasing power of a currency

30. A particular good can be classified as a normal good if an increase in buyers' income causes
- An increase in demand
 - An increase in quantity demanded
 - A decrease in demand
 - A decrease in quantity demanded

SECTION B: Answer all questions in this section. Provide short and concise answers.

- Using a PPF, briefly explain the concept of *scarcity* [3marks]
- Enumerate any 3 importance of price elasticity of demand [3marks]
- State any 3 possible causes of a *demand-pull* inflation [3marks]
- Explain any 3 tools used by the Central Bank to control money supply in an economy [3marks]
- Identify any 3 functions of *commercial banks* [3marks]
- Suppose demand and supply for your company's product is given by

$$Q_x^d = 14 - \frac{1}{2}P_x \text{ and } Q_x^s = \frac{1}{4}P_x - 1$$
 - Determine the equilibrium price and quantity for your company's product. [2 marks]
 - Suppose a \$12 excise tax is imposed on the product. Determine the impact of this excise tax on the equilibrium price and quantity for the product. [5marks]
 - How much tax revenue does the government earn with the \$12 tax? [1mark]
- Assuming that the pre-tax equations for demand and supply of pumps for Turlow Oil Ghana are:

$$Q_D = 120 - 6P$$

$$Q_S = 10 + 5P$$

- What is the equilibrium price and quantity of pumps? [2marks]
- Compute and interpret the price elasticity of demand at the equilibrium point [2marks]
- Assume the Government of Ghana fixes the price of pumps at GHS 9.00 per unit
 - Is that a minimum or maximum price control? [1mark]
 - Using the equations, compute the quantity demanded and supplied at that price? [1mark]
 - Calculate the shortage or surplus as a result of the price legislation? [1mark]

Examiners: Dr Kofi Kamasa | Priscilla Forson | Richard Kuffour | Seth Boahen