ECONOMICS
FOR
Senior Secondary School 3

Practice Questions and Answers

AKADALEARN

QUESTIONS

TOPIC: ECONOMIC DEVELOPMENT AND PLANNING

DIRECTION: Choose the correct answer from the lettered options.

1. The following factors account for the slow pace of economic development EXCEPT ______.

A. high population growth rate

B. inadequate capital

C. inadequate infrastructural facilities

D. large market and effective demand

2. The maintenance of general economic stability in a country necessarily relies heavily on _____.

A. the federal fiscal policy

B. coordinated federal, state, and local fiscal policies

C. federal grants to states and local governments

D. federal grants to local governments only

E. none of the above

3. Which of the following policies is least likely to increase growth in an underdeveloped country?

A. Increased restrictions on importing foreign-made goods.

B. An increase in political stability.

C. Increased spending on public education.

D. Ban on indigenous products.

4. The opportunity cost of an increase in economic growth is ______.

A. a reduction in current savings

B. a reduction in current consumption

C. a reduction in the level of investment spending

D. an increase in government spending to control the resulting inflation

5. An injection of funds into a less developed country might set off _____.

A. the multiplier

B. unemployment

C. underdevelopment

D. infant mortality

6. Which of the following measures will promote a more rapid economic development in Nigeria?

A. Continued dependence on oil exports.

B. Concentration on agriculture.

C. Diversification of the economy.

D. Establishment of more banks.

7. Which of the following is NOT an objective of commercialization?

A. Developing good and efficient management for the enterprises

B. Improving the operating efficiency of public enterprises

C. Increasing the dependence of the economy on foreign capital ownership and control

D. Increasing the participation of the citizens in economic activities

8. In a less developed country: _______.

A. per capita income is likely to be high

B. real wages are likely to be high

C. unemployment is likely to be high

D. the primary sector is likely to be significant

9. Developing economies usually _______.

A. have large industrial sectors

B. depend on primary products

C. have high levels of wealth

D. earn more from exports than is spent on imports

10. LIBOR means _____.

A. London Interim Body on Research

B. London Interbank Offered Rate

C. London International Borrowers Offer Rate

D. London Investment Bank Ordinary Returns

E. London Internal Banking Offer Rate

11. Structural Adjustment Programme (SAP) came into effect on ____.

A. 27 July, 1986

B. 27 June, 1986

C. 26 June, 1986

D. 26, July, 1986

E. None of the above

12. Labour in underdeveloped countries are characterised by all the following, except ____.

A. lack of occupational specialisation

B. lack of entrepreneurial ability

C. high productivity level

D. low labour mobility

E. none of the above

13. Which of the following is NOT a feature of under-development?

A. Low per capita income.

B. Vicious circle of poverty.

C. Low level of industrialisation.

D. Greater dependence on primary production.

E. High per capita income.

14. Which of the following is NOT a way of helping developing economies?

A. Aid

B. Loans

C. Protectionism from developed markets

D. Training and educational programmes

15. Nigeria's first National Development Plan spanned _____.

A. 1962 - 1968

B. 1970 - 1974

C. 1945 - 1955

D. 1955 - 1960

E. 1960 - 1965

16. Which of the following is the single most important determinant of the standard of living in an economy?

A. Productivity growth.

B. Technological growth.

C. Population growth.

D. Growth in capital stock.

17. Which of the following is NOT a policy the government should adopt if it wants to increase economic growth?

A. Encourage savings and investment.

B. Erect stiff trade barriers.

C. Fund research and development on new technologies.

D. Pursue policies designed to stabilise the economy.

18. The external financial measures used to pursue the Structural Adjustment Programme (SAP) excluded ____.

A. debt rescheduling

B. debt-equity swaps

C. debt cancellation

D. the second-tier foreign exchange market

19. Less developed countries tend to have ______.

A. a high average age

B. a slow population growth rate

C. a high life expectancy

D. a low literacy rate

20. Developing economies usually have _______.

A. low GDP per capita

B. low consumer price index

C. high balance of payment surplus

D. large budget surplus

21. A sustained increase in the production of the goods and services in a country is called economic _____.

A. development

B. growth

C. diversification

D. planning

E. increase

22. Classical economists held that the surest way to development was ____.

A. gross increase in acreage under cultivation

B. aggressive mercantilism

C. outright prohibition of imports

D. capital accumulation

E. continous rising in investment

23. Which of the following would be expected to increase the rate of growth of productivity?

A. A decrease in the available amount of physical capital.

B. A decrease in the amount of government spending on education.

C. An increase in government spending on transfer Programmes.

D. An increase in the level of technological knowledge.

24. Which of the following is an example of an increase in technology?

A. A factory buys another fork lift.

B. A store owner sends his daughter to college who then comes back to work in the business after graduating.

C. A production engineer identifies a better way to organizes the assembly line for a particular good.

D. A factory hires workers with better training and skills.

TOPIC: ELEMENTARY THEORY OF INCOME DETERMINATION

DIRECTION: Choose the correct answer from the lettered options.

1. An increase in the Marginal Propensity to Consume (MPC) will _____

A. increase the size of the multiplier

B. increase the MPC

C. decrease national income

D. reduce injections into an economy

2. An increase in investment is most likely to be caused by _____.

A. lower interest rates

B. lower national income

C. a decrease in the Marginal Propensity to Consume (MPC)

D. an increase in withdrawals

3. Gross Domestic Product minus depreciation equals _______.

A. disposable income

B. Gross National Product

C. Net Domestic Product

D. Net National Product

4. If the Keynesian consumption function is C = 10 + 0.8yd. If disposable income is N1,000, what is the MPC?

[Hint: yd = disposable income, MPC = Marginal Propensity to consume]

A. 0.8

B. 800

C. 810

D. 0.81

5. Injections _______.

A. are assumed to be exogenous

B. are assumed to be a function of national income

C. decreases aggregate demand

D. decreases the investment into the economy

6. Investment is ______.

A. an injection that increases aggregate demand

B. a withdrawal that increases aggregate demand

C. an injection that decreases aggregate demand

D. a withdrawal that decreases aggregate demand

7. An increase in consumption at any given level of income is likely to lead to ______

A. a fall in savings

B. an increase in exports

C. a fall in taxation

D. a decrease in import spending

8. In the long run, the Nigerian naira appreciates if _____.

A. Nigerian prices rise and Nigerian productivity falls

B. Nigerian prices fall and Nigeria increases tariffs on imports

C. Nigerian prices fall and Nigeria removes all import quotas

D. Nigerian interest rates rise and Nigeria removes all tariffs on imported goods

9. If the Marginal Propensity to Consume (MPC) on domestic product is 0.9, the size of the multiplier is:

A. 10

B. 1

C. 9

D. 0.1

10. Assume National Income to be ₦2,000 of which ₦1,400 is consumed while ₦600 is saved. With an increase of the national income to ₦3,000, consumption spending rose to ₦2,200. The economy also benefitted from an injection of ₦1,000. What is the MPC for the economy described?

A. 0.8

B. 0.7

C. 0.2

D. 0.92

11. The Marginal Propensity to Consume (MPC) is equal to _____

A. total spending/total consumption

B. total consumtion/total income

C. change in consumption/change in income

D. change in consumption/change in savings

12. Investment depends mainly on ______.

A. past level of income

B. furture expected profits

C. present national income levels

D. historic data

13. Which of the following describes the Multiplier?

A. Product of income and expenditure.

B. Curves of savings and expenditure.

C. Ratio of change in income to the expenditure that brought about it.

D. Constant level of Income.

E. Equality of Marginal Propensity to Consume and Save.

14. Which of the following is an injection into the economy?

A. Investment

B. Savings

C. Transportation

D. Import spending

15. The theory of income determination was developed by _____.

A. Rev. Thomas Malthus

B. Lord John Maynard Keynes

C. Pastor Williams Effiong Udotong

D. H. J. Davenport

16. The difference between gross investment and net investment is _____

A. depreciation

B. acceleration

C. deceleration

D. capital investment

17. Investments depends mainly on _____.

A. past levels of income

B. future expected profits

C. present national income levels

D. historic data

18. Balance of trade shows the relationship between total values of _______.

A. invisible exports and visible exports

B. invisible imports and invisible exports

C. visible exports and invisible imports

D. visible exports and visible imports

19. Which of the following features would a nation have exhibited to lead to an appreciation in its currency in the long run?

A. High inflation and high productivity growth.

B. High productivity growth and increased tariffs on imports.

C. High productivity growth and reduced tariffs on imports.

D. Increased tariffs on exports.

E. None of the above.

20. Which of the following is NOT an injection?

A. Investment

B. Government expenditure

C. Export

D. Import

21. When withdrawals exceed injections, we expect _____.

A. a reduction in the level of national income

B. a fall in the volume of purchasing power

C. an eventual reduction in the level of imports

D. all of the above

22. The level of the exchange rate of a country is important because the level determines in part ____.

A. the price of domestically produced goods to be sold abroad

B. the price of foreign produced goods to be sold domestically

C. the price that domestic citizens pay for foreign assets

D. all of the above

23. If an increase in investment leads to a bigger increase in national income, this is called the _____ effect.

A. accelerator

B. aggregate demand

C. monetarism

D. multiplier

24. A surplus in the combined current and capital accounts can be used up by _______.

A. decreasing foreign investments

B. increasing foreign investments

C. recalling foreign loans

D. selling foreign investments

25. Lower interest rates are likely to _____

A. decrease consumption

B. increase cost of borrowing

C. encourage savings

D. increase spending

26. An increase in national income is likely to ______.

A. decrease tax receipts

B. worsen the balance of trade

C. automatically cause an increase in government spending

D. cause an increase in subsidies

27. An increase in national income is _______.

A. likely to increase exports

B. likely to decrease savings

C. likely to decrease investment

D. likely to increase spending on import

28. What happens when the dollar moves from 100 yen to 110 yen?

A. The dollar depreciates.

B. The yen appreciates.

C. The dollar appreciates.

D. The yen depreciates.

E. None of the above.

29. The following are areas of government investment EXCEPT _____.

A. defence

B. education

C. health

D. marriage

30. Assume national income to be ₦2,000, of which ₦1,400 is consumed while ₦600 is saved. With an increase of the national income to ₦3,000, consumption spending rose to ₦2,200. The economy also benefitted from an injection of ₦1000.

By how much will national income increase as a result of the injection?

A. ₦1,000

B. ₦2,200

C. ₦5,000

D. ₦2,500

31. If the Keynesian consumption function is C = 10 + 0.8yd. If disposable income is N1,000, what is total consumption?

[Hint: yd = disposable income]

A. 0.8

B. 800

C. 810

D. 0.81

32. If injections are greater than withdrawals ______.

A. national income will increase

B. national income will decrease

C. national income will remain in equilibrium

D. prices will fall

33. The Average Propensity to Consume is the ratio of _______.

A. total consumption to total disposable income

B. average consumption to total disposable income

C. marginal consumption to total disposable income

D. average total consumption to total disposable income

34. Which of the following correct?

A. Gross investment = net investment + depreciation

B. Net investment = gross investment + depreciation

C. Net investment = depreciation + capital consumption

D. Depreciation = gross investment + investment

35. When a worker earns more than the wage just sufficient to keep him in his job, the excess is called _____.

A. an opportunity cost

B. an economic rent

C. transfer earning

D. salary

E. none of the above

TOPIC: ELEMENTS OF NATIONAL INCOME ACCOUNTING

DIRECTION: Choose the correct answer from the lettered options.

1. The total output of all the nationals of a country, wherever they may reside, is termed the _____.

A. Gross Domestic Product (GDP)

B. Gross National Product (GNP)

C. Net National Product (NNP)

D. Net Domestic Product (NDP)

2. Given the formular for the national income multiplier as K = 1/1-mpc , mpc = 0.75, and an increase in government expenditure from ₦20 billion to ₦35 billion. Calculate the change in the level of national income.

A. ₦140 billion

B. ₦80 billion

C. ₦75 billion

D. ₦60 billion

3. Which of the following is usually used as an indicator for standard of living?

A. Real GDP per capita

B. Net National Product at market prices

C. GNP at market prices - import

D. Real GDP + depreciation

4. If the national income of a certain country is ₦900, 000,000.00 while its population is 450,000.00 what is the country's income per capita?

A. ₦ 200,000

B. ₦ 20,000

C. ₦ 2,000

D. ₦ 1,200

5. The GNP at factor cost is equal to ______.

A. GDP at factor cost - imports + export

B. GNP at market prices - indirect taxes - subsidies

C. GDP at market prices - imports + export

D. GDP at factor cost + imports + export

E. GDP at factor cost - imports - export

6. Gross Domestic Product (GDP) at market prices plus net factor income from abroad gives ______.

A. gross capital formation

B. Gross Domestic Product (GDP)

C. disposable income

D. Gross National Product (GNP)

7. To adjust GDP from market prices to factor cost _____.

A. add indirect taxes

B. subtract subsidies

C. deduct indirect taxes and subsidies

D. deduct indirect taxes and add subsidies

8. The distinction between capital expenditure and recurrent expenditure lies in the ____.

A. nature of the goods and services to be provided

B. time frame of the expenditure

C. sources of the revenue generated

D. amount of expenditure involved

9. The Per Capita Income (PCI) is calculated as ____.

A. GNP / Working Age Population

B. GDP / Population

C. GNP / Total Capital Expenditure

D. GNP / Population

10. In Nigeria, the three approaches to National Income accounting is believed to have started in the year ____.

A. 1940

B. 1950

C. 1960

D. 1970

E. 1980

11. GDP at factor cost is equal to _____.

A. GDP at market prices + indirect taxes - subsidies

B. GDP at market prices - indirect taxes + subsidies

C. GDP at market prices - indirect taxes - subsidies

D. GDP at market prices + direct taxes - indirect taxes

12. Gross National Product (GNP) equal _____.

A. Net National Product adjusted for inflation

B. Gross Domestic Product adjusted for inflation

C. Gross Domestic Product + net property income from abroad

D. Net National Product + net property income from abroad

13. To compare the standard of living among nations, the most widely used economic indicator is the _____.

A. real domestic output

B. real gross national income

C. real per capita income

D. per capita nominal income

E. Gross Domestic Product (GDP)

14. The Net National Product (NNP) is equal to the _____.

A. Gross National Product (GNP) minus depreciation

B. Gross National Product (GNP) plus income from abroad

C. Gross National Product (GNP) less income from abroad

D. Gross National Product (GNP) plus indirect taxes

E. Gross National Product (GNP) plus depreciation

16. Which of the following is NOT applicable to per capita income?

A. It is calculated as national income over population

B. It is calculated as population over national income

C. It helps in the assessment of standard of living

D. It is used as one of the indicators of economic growth

17. The GNP at factor cost can be derived by all of the following means, except ______.

A. GDP at factor cost - imports + exports

B. GNP at market prices - indirect taxes + subsidies

C. GDP at market prices - imports + exports

D. GDP at factor cost + net property income from abroad

18. Which of the following would be considered the best measure of the standard of living in a country?

A. Nominal GDP

B. Nominal GDP per capita

C. Real GDP

D. Real GDP per capita

19. Personal savings are generally low in West Africa because of _____.

A. the level of income of the people

B. the refusal of banks to grant loans

C. overpopulation

D. cheaper foreign currencies

20. Which of the following over estimates the value of national income?

A. Incomplete statistical data

B. Wrong timing of computation

C. Changes in prices of goods within the year

D. Double counting

21. The difference between Gross Domestic Product (GDP) and Gross National Product (GNP) is _____.

A. depreciation

B. domestic investment abroad

C. foreign investment

D. indirect taxes and subsidies

22. Net National Product equals ______.

A. Gross National Product adjusted for inflation

B. Gross Domestic Product adjusted for inflation

C. Gross Domestic Product + net property income from abroad

D. Gross National Product - depreciation

23. To adjust from GNP to NNP ______.

A. deduct depreciation

B. deduct indirect taxes

C. deduct subsidies

D. add inflation

24. The major objective of the revenue allocation formula in a country is to _____.

A. share revenue between the different tiers of government

B. divert revenue from areas of surplus to areas of need

C. ensure the financial viability of the country

D. share revenue between the public and private sector

25. Which of the following involves measuring national income as the total money value of all final goods and services?

A. The output approach.

B. The expenditure approach.

C. The income approach.

D. The cummulative approach.

26. Which of the following factors determines the size of National Income?

A. Technical efficiency

B. Environmental damage

C. Inflation

D. Political instability

27. Which of the following equations is appropriate for determining the Net Domestic Product (NDP)?

A. NDP = GNP – depreciation

B. NDP = GDP + net income from abroad

C. NDP = GDP – depreciation

D. NDP = GDP x net income from abroad

28. GDP at factor cost is equal to _____.

A. GDP at market prices + indirect taxes – subsidies

B. GDP at market prices – indirect taxes + subsidies

C. GDP at market prices – indirect taxes – subsidies

D. GDP at market prices + direct taxes – subsidies

E. GDP at market prices + indirect taxes + subsidies

29. All of the following would cause the productivity in a country to increase EXCEPT ______.

A. an increase in technology.

B. an increase in the amount of resources per worker.

C. an increase in the size of the labour force.

D. an increase in the amount of capital per worker.

E. research and development

30. Assume that initially, real GDP per capita is the same in countries A and B. Ceteris paribus, if the economy of country A grows at 3% while the economy of country B grows at 6%, _____.

A. after one year, real GDP per capita will be twice as large in country B as it is in country A

B. the standard of living will grow more rapidly in country B than it does in Country A

C. real GDP per capita will always by 3 percent higher in country B than it is in country A

D. because of diminishing returns, there will be no long-run effects on the relative standard of living in the two countries

31. Which of the following is NOT a concept in National Income accounting?

A. Domestic National Product (DNP)

B. Gross National Product (GNP)

C. Gross Domestic Product (GDP)

D. Net Domestic Product (NDP)

TOPIC: INDUSTRY AND INDUSTRIALISATION

DIRECTION: Choose the correct answer from the lettered options.

1. Which of the following is NOT a basic requirement for industrialisation?

A. Increase in the rate of capital formation.

B. Exclusion of government from economic planning.

C. Adoption of suitable investment pattern.

D. Removal of market imperfections.

E. Structural transformation.

2. One advantage of export-promotion industrialisation is the creation of linkages. Which of the following is NOT true of linkages?

A. Forward linkage is not possible through vertical integration.

B. Linkages accelerate a country's industrial development.

C. Forward linkages are created when a new production method reduces the price of raw materials so low that industries take advantage of its cheapness.

D. Backward linkage occur when raw material needs become so powerful that new firms spring up to satisfy that need.

3. Indigenisation policy in Nigeria was promulgated mainly to ______.

A. increase foreign domination of the economy

B. increase the participation of Nigerians in commerce and industry

C. reduce the income generation from commerce and industry

D. reduce the participation of Nigerians in commerce and industry

4. An important factor hindering the rapid development of the industrial sector in Nigeria is _____.

A. rural-urban migration

B. excessive demand of finished products

C. availability of infrastructural facilities

D. the dominance of the oil sector

5. An adverse environmental impact of the petroleum industry on the economy is ______.

A. communal riots

B. vandalization of oil equipment

C. oil spillage

D. community development

6. _____ has been the most disturbing trend in the industrial sector in Nigeria since the mid-1980s.

A. Labour intensity

B. Capital intensity

C. Poor technology

D. Capital under-utilisation

7. Which of the following is a problem of industrialisation in Nigeria?

A. Balance of payment position

B. Excise tax reduction

C. Political influence

D. Repatriation of profit

8. The doctrine of the 'Big Push' which provides a theoretical basis for large-scale industrial development, was propounded by ______.

A. Professor Eugene Okorie

B. Professor Claude Ake

C. Professor Rosenstein Rodan

D. Professor Charles Kinleberger

9. Import substitution industrialisation can be encouraged by _____.

A. withdrawing import and export subsidies

B. abolition of import quotas and surcharges

C. giving up every form of economic integration

D. granting industries that produce such substitues loans and tax exemptions

E. None of the above

10. The two Nigerian Enterprises Promotion Decrees were promulgated in _____.

A. 1972 and 1978

B. 1970 and 1977

C. 1972 and 1977

D. 1973 and 1979

E. 1974 and 1980

11. The process of reducing foreign control of an economy is known as ______.

A. commercialisation

B. incorporation

C. indigenisation

D. industralisation

12. What is the major reason for the location of the petroleum refinery in Kaduna?

A. The availability of market

B. The availability of raw materials

C. Government policy

D. Natural condition

13. West African countries have encouraged industrial development through the _____.

A. expansion of port facilities

B. liberalization of foreign trade

C. restrictions on imports

D. award of contracts to foreigners

14. Industries that can be randomly located are characterised by _____.

A. relatively low transport costs for both raw materials and output, as well as factor mobility

B. relatively heavy transport costs for both raw materials and output, as well as factor mobility

C. constant returns to scale

D. significant economy of scale

15. Which of the following is NOT a benefit derived by Nigeria from the petroleum industry?

A. Increased foreign exchange earnings.

B. Establishment of refineries and petrochemical industries.

C. Employment of a greater proportion of the population.

D. Development of airports, seaports, and other social infrastructure.

TOPIC: INTERNATIONAL ECONOMIC ORGANISATIONS

DIRECTION: Choose the correct answer from the lettered options.

1. Nigeria joined OPEC in ______.

A. July, 1971

B. June, 1970

C. July 1970

D. June, 1971

2. The acronym UNCTAD stands for ________.

A. Unindependent Nations Committee on Tariff Development

B. Unindependent Nations Conference on Trade and Development

C. United Nations Committee on Tariff Development

D. United Nations Conference on Trade and Development

3 Which international economic organisation is an association of Central Banks of some countries?

A. ECA

B. IMF

C. OPEC

D. WACH

4. The International Bank for Reconstruction and Development (IBRD) was established in ______ and started operation in ______.

A. 1940, 1944

B. 1942, 1944

C. 1944, 1946

D. 1946, 1948

5. The treaty which established IMF was signed in _______.

A. July, 1944

B. June, 1944

C. May, 1944

D. April, 1944

6. Which of the following countries was NOT a member of the Economic Community of West African States (ECOWAS) as at December 2010?

A. Ghana

B. Côte d'Ivoire

C. Senegal

D. Niger

7. The treaty establishing the ECOWAS was signed in Lagos on _______.

A. 25th June, 1973.

B. 20th May, 1974.

C. 28th May, 1975.

D. 12th September, 1975

8. The African Development Bank (ADB) was established with the help of the ______ and the ______.

A. UN, ECA

B. OAU, ECA

C. ECA, EEC

D. OAU, UN

9. Under the operations of the International Bank for Reconstruction and Development (IBRD), loans to the private sector which must be guarantee by the home government of the borrower are made through the _______.

A. International Finance Corporation (IFC)

B. International Development Association (IDA)

C. African development Bank (ADB)

D. European Economic Community (EEC)

10. As a producers' association, the OPEC expects its members to maintain production where marginal cost is _____.

A. greater than price

B. less than price

C. equal to price

D. equal to average cost

11. The devaluation of a currency as a condition for the International Monetary Fund loan is unadvisable because ____.

A. it would allow for more money to be spent on luxuries

B. the interest rates on bank loans would stabilize

C. it would decrease the demand for the country's exports

D. it could worsen the country's foreign exchange situation

12. One of the aims of the Economic Community of West African States (ECOWAS) is the ____.

A. liberation of trade among member states

B. reduction in the prices of essential commodities in West Africa

C. encouragement of revolts against former colonial masters

D. discouragement of trade among member states

E. all of the above

13. Which international organisation has the aim of increasing the growth rate of developing countries to not less than 5% per annum?

A. UNCTAD

B. ECA

C. EEC

D. IMF

14. At OPEC's inauguration, there were _____ members.

A. 3

B. 4

C. 5

D. 6

15. The idea to form ECOWAS was endorsed by the _______.

A. UN council of ministers

B. OPEC council of ministers

C. OAU council of ministers

D. EAC council of ministers

16. The International Bank for Reconstruction and Development (IBRD) is also known by another name, what is this name?

A. International bank

B. Reconstruction bank

C. World Bank

D. Development bank

17. As at August 2012, the executive secretariat of ECOWAS was located in _______.

A. Abuja, Nigeria

B. Accra, Ghana

C. Yamoussoukro, Cote d'Ivoire

D. Praia, Cape verde

18. The International Bank for Reconstruction and Development (IBRD) was formed at the _______.

A. Bretton Woods conference

B. Geneva conference

C. Paris conference

D. Addis Ababa conference

19. As at August 2012, membership of Ecowas stood at _______.

A. 14

B. 15

C. 16

D. 17

20. The International Finance Corporation (IFC) and the International Development Association (IDA) are affiliated to ________.

A. International Monetary Fund (IMF)

B. European Economic Community (EEC)

C. United Nations Conference on Trade and Development (UNCTAD)

D. International Bank for Reconstruction and Development (IBRD)

21. Which of these countries is NOT a signatory to the European Economic Community (EEC) treaty of Rome in 1957?

A. Britain

B. Italy

C. Luxemburg

D. Belgium

E. Nigeria

22. The acronym WACH stands for _______.

A. West African Community Home

B. West African Clearing Home

C. West African Clearing House

D. West African Central House

23. Who established the Economic Commission for Africa (ECA)?

A. The United Nations Financial and Social Council

B. The United Nations Trade and Social Council

C. The United Nations Economic and Social Council

D. The United Nations Monetary and Social Council

24. The idea to form ECOWAS was endorsed in ______.

A. 1973

B. 1974

C. 1975

D. 1976

25. Where was the IMF set up?

A. The international conference on monetary and financial matters

B. The international conference on monetary and economic matters

C. The international conference on financial funds matters

D. The international conference on fund management matters

26. The following are objectives of NEPAD EXCEPT _______.

A. enhancing integration into the global economy

B. eradicating poverty

C. forging a new International partnership

D. guaranteeing Africa's poor governance

27. Who endorsed the idea to form ECOWAS?

A. UN

B. OAU

C. OPEC

D. EAC

28. The IMF was set up in ______.

A. Addis Ababa in Ethiopia

B. Abuja in Nigeria

C. Bretton Woods in USA

D. Telford Shropshire in UK

29. Which of the following is NOT an aim of the European Economic Community (EEC)?

A. To harmonise agricultural policies

B. To eliminate trade barriers among members

C. To improve the living and working conditions of people

D. To adopt a common external commercial policy

30. Which of the following is achieved through ECOWAS' funding?

A. Guaranteeing investments for joint enterprises.

B. Financing EEC projects in West Africa.

C. Paying salaries of African employees in the World Bank.

D. Providing money for ECOMOG operations.

31. Which of the following is NOT an aim of IMF?

A. To stabilise the exchange rates among different currencies of the world.

B. To abolish all barriers to trade.

C. To promote monetary cooperation among members.

D. To prevent competitive devaluation by members.

32. Through membership of the Economic Community of West African States (ECOWAS), countries have achieved ____.

A. full employment of resources

B. a large market for their products

C. military superiority over other African countries

D. higher transportation cost of goods within the region

33. When was WACH established?

A. April, 1975

B. May, 1975

C. June, 1975

D. July, 1975

34. The treaty of Rome is officially called the _______.

A. treaty offically establishing the African development Bank (ADB)

B. treaty offically establishing the European Economic Community (EEC)

C. treaty offically establishing the International Monetary Fund (IMF)

D. treaty offically establishing the United Nations Conference on Trade and Development (UNCTAD)

35. The treating establishing the European Economic Community (EEC) was signed on _______.

A. January 1, 1958

B. January 1, 1958

C. March 25, 1957

D. March 25, 1958

36. Under the operations of the International Bank for Reconstruction and Development (IBRD), public sector loans are made through the _______.

A. International Finance Corporation (IFC)

B. International Development Association (IDA)

C. African development Bank (ADB)

D. European Economic Community (EEC)

37. Which of the following is NOT an international economic organisation?

A. Economic Commission for Africa (ECA)

B. Africa Development Bank (ADB)

C. World Health Organisation (WHO)

D. International Monetary Fund (IMF)

38. Which one of the following was NOT a member when OPEC was inaugurated?

A. Iraq

B. Kuwait

C. Venezuela

D. Indonesia

39. Which of the following is NOT a reason for the establishment of international economic organisations?

A. To encourage trade

B. To encourage competitive devaluation by countries

C. To foster economic cooperations

D. To encourage economic growth

40. Which one of these countries signed the treaty that established the European Economic Community (EEC)?

A. Denmark

B. Britain

C. Luxembourg

D. Ireland

41. Monetary policies in Nigeria are carried out through _____.

A. the government

B. the Central Bank of Nigeria

C. commercial banks

D. insurance houses

42. Which international organisation has the aim of bridging the gap between the developing countries and the developed?

A. EEC

B. UNCTAD

C. IMF

D. WACH

43. The treaty establishing the ECOWAS was signed by ______ independent states of West Africa.

A. 13

B. 14

C. 15

D. 16

44. Which one of the following is NOT a member of WACH?

A. Sudan

B. Guinea Bissau

C. Mauritania

D. Nigeria

45. How many countries signed the treaty which established the IMF?

A. 34

B. 39

C. 40

D. 44

46. The main aim of establishing the International Bank for Reconstruction and Development (IBRD) was ______.

A. to facilitate the convertibility of members' currencies

B. to stabilise the exchange rate among member countries

C. to aid the advancement of the less developed countries by providing long term soft loan

D. to facilitate the expansion and balanced growth of international trade

47. In what year did the IMF come into operation?

A. 1944

B. 1947

C. 1949

D. 1950

E. 1952

48. The African development bant (ADB) headquarters was located in ____ as at December 2010.

A. Cotonou, Benin Republic

B. Addis Ababa, Ethiopia

C. Abidjan, Cote d'Ivoire

D. Libreville, Gabon

E. Abuja, Nigeria

49. Which one of the following is NOT an aim for establishing WACH?

A. To ensure the use of members' currencies for intra sub regional transactions.

B. To ensure the price stabilisation of oil price among member countries inorder to eliminate fluctuations.

C. To boost commercial exchange among members.

D. To bring about the conservation of foreign reserves of members.

50. SDR means _____.

A. Savings Discount Requirements

B. Special Drawing Rights

C. Savings Deposit Rediscount

D. Savings Drawing Rights

E. None of the above

51. Which of the following is NOT an aim of OPEC?

A. Coordination of petroleum policies

B. Unification of petroleum policies

C. Unification of member currencies

D. Stabilisation of petroleum policies

52. The headquarters of WACH is in _______.

A. Abuja, Nigeria

B. Yamoussoukro, Cote d'Ivoire

C. Freetown, Sierra leone

D. Accra, Ghana

53. From the options given, the last country to join ECOWAS was _______.

A. Togo

B. Niger

C. Nigeria

D. Cape Verde

54. How many countries signed the treaty that established the European Economic Community (EEC)?

A. 3

B. 4

C. 5

D. 6

55. The International Bank for Reconstruction and Development (IBRD) obtains funds from the following sources EXCEPT _______.

A. members' contributions

B. personal savings from individuals

C. loans from developed countries

D. sales of bond in the world capital market

56. The headquarters of Economic Commission for Africa (ECA) is in _______

A. Geneva, Switzerland

B. Addis Ababa, Ethiopia

C. Freetown, Sierra Leone

D. Abuja, Nigeria

57. The Economic Commission for Africa (ECA) is one of the agencies of the ________.

A. Organisation of the Petroleum Exporting Countries (OPEC)

B. Organisation of African Unity (OAU)

C. Economic Community of West African States (ECOWAS)

D. United Nations

58. The principal governing body of ECOWAS is the ______.

A. executive secretariat

B. council of ministers

C. judicial secretariat

D. heads of state and government

59. The acronym IBRD stands for ______.

A. International Bank for Reparation and Development

B. International Bank for Reformation and Development

C. International Bank for Regeneration and Development

D. International Bank for Reconstruction and Development

60. The New Partnership for Africa's Development (NEPAD) was formerly adopted at the 37th summit of the OAU in _____.

A. January 2001

B. June 2001

C. July 2001

D. June 2002

61. Which of the following statements is untrue?

A. the IBRD came into operation in 1946.

B. the IBRD has two affiliates, the IFC and IDA.

C. the IBRD is not the same as the World Bank.

D. the IBRD is the same as the World Bank.

E. the IBRD was formed at the Bretton Woods conference of 1944.

62. When was OPEC formed?

A. 1958

B. 1960

C. 1962

D. 1964

63. By 1988, membership of OPEC had risen to ______.

A. 8

B. 13

C. 15

D. 18

64. The headquarters of the African Development Bank (ADB) is in ______.

A. Accra, Ghana

B. Abuja, Nigeria

C. Abidjan, Cote d'Ivoire

D. Freetown, Sierra Leone

65. OPEC was inaugurated in ______.

A. Kuwait city, Kuwait

B. Tehran, Iran

C. Baghdad, Iraq

D. Riyadh, Saudi Arabia

66. When was African Development Bank (ADB) established?

A. 1964

B. 1963

C. 1962

D. 1961

TOPIC: INTERNATIONAL TRADE AND BALANCE OF PAYMENTS

DIRECTION: Choose the correct answer from the lettered options.

1. A nation's net export is negative when the value of her ____.

A. stock of goods is declining

B. exports exceeds the value of her imports

C. exports are adjusted upwards

D. imports exceeds the value of her exports

2. When a country's exports faces a monopsonist, the terms of trade _____.

A. are likely to be unfavourable

B. will certainly be favourable

C. cannot be determined

D. will be stagnant

3. The index of terms of trade is given by ______.

A. price index of imports / price index of exports

B. volume index of imports (by weight) / volume index of exports (by weight)

C. total export revenue / total import cost

D. price index of exports / price index of imports

4. Which of the following is NOT an argument for protectionism?

A. To protect infant industries.

B. To increase the level of imports.

C. To protect strategic industries.

D. To improve the balance of payment.

5. Which of the following is an example of foreign direct investment?

A. Honda (a Japanese company) builds an assembly plant in Lagos, Nigeria.

B. Ala, a U.S. citizen, buys shares of stock in a Nigerian firm through the Nigerian stock exchange.

C. The merger of Standard Trust Bank(STB) and United Bank For Africa (UBA).

D. The purchase of U.S. government bonds by a citizen of Ghana.

6. Special Drawing Rights (SDRs) refers to the ____.

A. international reserve asset created by the IMF

B. monetary unit used to supplement the official reserves of the member countries of the IMF

C. international reserve asset created to support the Bretton Woods' fixed exchange rate system

D. potential claims on the currencies of the IMF members

E. all of the above

7. Which of the following is a major function of the foreign exchange market?

A. Creating a network of phone and cable lines.

B. Creating many brokers and intermediaries.

C. Ensuring the survival of central banks.

D. Hedging.

E. Connecting people.

8. In a floating exchange rate system ______.

A. the government intervenes to influence the exchange rate

B. the exchange rate responds to demand and supply forces

C. all financial institutions fix their rates

D. the price of one currency must be equal to the price of another currency

9. The theory of comparative cost assumes all of the following, except _____.

A. the existence of two countries only
B. perfect competition between countries
C. no transportation cost incurred
D. demand for goods and services is reciprocal
E. none of the above

10. Terms of trade means the _____.
A. exchange rate between exports and imports
B. increase in the percentage of import relative to exports
C. rise in the price of exports
D. the difference between the value of exports and imports

11. Devaluation does NOT have the effect of _____.
A. increasing the price of imports relative to exports
B. increasing the price of exports relative to imports
C. reducing imports ultimately
D. mitigating a balace of payments deficit in the long run
E. all of the above

12. A flexible exchange rate system is characterised by all of the following, except _____.
A. incidents of currency appreciation
B. cases of currency depreciation
C. government intervention to 'peg' exchange rates
D. all of the above
E. none of the above

13. The primary objective of establishing the export processing zone is to _____.
A. facilitate agricultural production
B. encourage the production and processing of export commodities

C. erect structures that will facilitate the processing of imported raw materials

D. facilitate large scale production of goods

E. increase excise duties in order to generate more revenue for the country

14. An appreciation of a currency occurs if ____

A. domestic interest rates fall

B. there is an increase in the demand for imports relative to export

C. there is an increase in the value of a currency relative to another currency

D. there is a decrease in the value of a currency relative to another currency

15. Which of the following group of accounts makes up the balance of payments?

A. The current account; multiply account and capital account.

B. Monetary movement account; company account and international account.

C. Cash account; double entry account and current account.

D. Capital account; current account and monetary movement account.

16. The balance of payments of a country explains the overall position of the _____.

A. current account of the balance of payments

B. capital account of the balance of payments

C. visible and invisible accounts

D. current and capital accounts

17. Deficit in the balance of payments is financed through ______.

A. capital account

B. current account

C. invisible trade

D. deficit account

18. A depreciation of a currency occurs when _____.

A. the value of the currency falls with respect to another currency

B. the value of the currency increases with respect to another currency

C. there is an increase in demand for exports in respect to imports

D. the balance of payment improves

19. Which of the option is NOT a basis for international trade?

A. Availability of adequate market

B. Human capabilities

C. Level of industrial development

D. Per capita income

20. A record that shows the relationship between one country's total payments to all other countries and its total receipts from them is called ________.

A. balance of payment

B. balance of trade

C. capital account

D. terms of trade

21. Terms of trade is measured by _____.

A. (price index of imports)/(price index of exports)x 100

B. (price index of exports)/(price index of imports) x 100

C. (value of imports)/(value of exports) x 100

D. (value of exports)/(value of imports)x 100

E. None of the above

22. Free trade is based on the principle of ______.

A. comparative advantage

B. comparative scale

C. economies of scale

D. production possibility curve

23. If there is a balance of payment deficit in a floating exchange rate system; ________.

A. the external value of the currency will tend to fall

B. the external value of the currency will tend to rise

C. injections from trade will be greater than withdrawals

D. aggregate demand is decreasing

24. A country is said to have a favourable current account balance when the money she receives from both visible and invisible exports _____.

A. equals the amount she pays for both visible and invisible imports

B. is less than the amount she pays for both visible and invisible imports

C. exceeds the amount she pays for both her visible and invisible imports

D. exceeds the amount she pays under capital accounts

25. If consumers in Nigeria favour imports over domestically produced goods, the international value of the Nigerian naira and Nigerian exports will most likely change in which of the following ways?

A. The international value of the Naira will appreciate and export will increase

B. The international value of the Naira will appreciate and export will decrease

C. The international value of the Naira will depreciate and export will increase

D. The international value of the Naira will depreciate and export will decrease

26. A country's balance of payments is in deficit when ______.

A. a country's payments for imports of invisible goods are greater than her receipts from exports of invisible goods

B. the total receipts from her export of visible and invisible goods are greater than her payments for visible and invisible imports

C. it can record a surplus on current account for her balance of payments accounts

D. the total payments for visible and invisible imports are greater than the total receipts from her exports of visible and invisible goods

27. If the value of the Naira in other currencies rises, the ______.

A. spending on Nigerian exports in naira must rise

B. spending on Nigerian exports in foreign currency will rise if demand is price elastic

C. demand for Nigerian exports will rise

D. spending on Nigerian exports in foreign currency will fall if demand for Nigerian exports is price elastic

28. A country's balance of payment account consist of _____ account.

A. current

B. current and capital

C. fixed deposit

D. savings

29. Tariffs _____.

A. decreases the domestic price of a product

B. increases government's earnings from tax

C. increases the quantity of imports

D. decreases domestic production

30. Which of the following is NOT a demerit of international trade?

A. It can lead to capital flight.

B. It increases the risk of unemployment.

C. It leads to unfavourable terms of trade against developing countries.

D. It can bring about a reduction in capital formation.

E. It creates a good monetisation effect on the economy.

31. Which of the following items in the balance of payments accounts is an invisible transaction?

A. Import of cars.

B. Export of cocoa.

C. Export of crude petroleum.

D. Earnings from tourism.

32. When the opportunity cost ratios for two countries differ, a basis for mutually beneficial international trade exists. This situation describes the principle of _____.

A. comparative advantage

B. absolute advantage

C. economic growth

D. equilibrium

33. A fall in the value of the Naira is likely to decrease spending on imports if ______.

A. the price elasticity of demand for imports is price elastic

B. the price elasticity of demand for imports is price inelastic

C. the price elasticity of demand for imports has a unit price elasticity

D. the price elasticity of demand for exports is price elastic

34. Which of these was an achievement of the New International Economic Order (NIEO)?

A. The creation of the defunct East African Community (EAC).

B. The creation of the ECOWAS.

C. The creation of the International Commodity Agreement (ICA).

D. The creation of the IMF.

E. The creation of the East African Community (EAS).

35. The theory of comparative cost advantage is associated with _______.

A. Alfred Marshal

B. Rosa Luxembourg

C. David Ricardo

D. J. B. Say

36. International trade arises because ______.

A. all the countries in the world are one hundred percent self satisfactory in the production of their needs

B. the world is technologically advancing

C. a country may have maximum comparative advantage in the production of a commodity over another

D. resources are evenly distributed in the world and needs are unlimited

37. Which of the following statements is true about a balance of payments surplus?

A. It increases the net flow of resources from abroad.

B. It quickens economic activities at home.

C. It can generate inflationary tendencies.

D. It will bring about debt retirement.

E. All of the above.

38. Terms of trade measure the _______.

A. income of one country relative to another

B. Gross Domestic Product (GDP) of one country relative to another

C. rates at which exports exchange for imports

D. export prices compared to import prices

39. To prevent the external value of the currency from falling, the government might ________.

A. reduce interest rates

B. sell its own currency at lower rates

C. buy its own currency with foreign reserves

D. increase its spending

40. International trade is based on the law of ____.

A. absolute cost advantage

B. variable proportion

C. comparative cost advantage

D. marginal rate of transformation

41. The statistical summary of all economic transactions that took place between the residents of a country and the rest of the world in an accounting period is known as ____.

A. international trade

B. external trade

C. balance of payments

D. balance of trade

E. terms of trade

42. A fall in the external value of a currency may _____.

A. cause an outward shift in the demand for the currency

B. cause an inward shift in the supply for the currency

C. lead to a movement along the demand curve for a currency

D. be due to an increase in demand for the country's export

43. If the exchange rate is above the equilibrium level, there will be ____

A. excess demand and the exchange rate will fall

B. excess supply and the exchange rate will fall

C. excess demand and the exchange rate will rise

D. excess supply and the exchange rate will rise

44. Balance of payment deficit implies that a country is ______.

A. importing more than she is exporting

B. consuming less than she is producing

C. living below her means

D. exporting more than she is importing

45. If the value of the naira in other currencies is strong ______.

A. the price of Nigerian products abroad in foreign currency will fall

B. the price of Nigerian products abroad in foreign currency will rise

C. the price of Nigerian products in Nigeria will rise

D. the price of Nigerian products in Nigeria will fall

46. Dumping means the selling of a good in a foreign market at a price that is ______.

A. below the home market price

B. above the home market price

C. equal to the home market price

D. able to clear the home market

47. Which of the following is NOT contained in the balance of payments?

A. A record of domestically raised debentures.

B. The balance of trade.

C. Short-term capital movements between countries.

D. Unilateral transfers.

E. Long term capitals.

48. A country that can produce more of a good or service than another country with the same amount of inputs is said to have a/an ______.

A. comparative advantage

B. output advantage

C. production advantage

D. absolute advantage

49. A country that can produce more of a good or service than another country with the same amount of inputs is said to have a/an ______.

A. comparative advantage

B. output advantage

C. production advantage

D. absolute advantage

50. Balance of trade can be defined as ____.

A. the value of a country's imports in relations to the value of its export

B. the price ratio of imports as against that of exports

C. equality in the total receipts and payment of a country in a year

D. percentage value of imports over percentage value of exports

E. prices of export versus prices of import

51. If the exchange rate is below the equilibrium level, there will be ______.

A. excess demand and the exchange rate will fall

B. excess supply and the exchange rate will fall

C. excess demand and the exchange rate will rise

D. excess supply and the exchange rate will rise

52. Which of the following is not a type of economic integration?

A. Customs market

B. Common market

C. Economic union

D. Free trade area

53. Devaluation of currency in a country is likely to lead to _____.

A. increased population

B. increased imports

C. exports becoming cheaper

D. reduced exports

TOPIC: MARKET STRUCTURE AND REVENUE CONCEPTS

DIRECTION: Choose the correct answer from the lettered options.

1. In monopoly in long run equilibrium:

A. the firm is productively efficient

B. the firm is allocatively inefficient

C. the firm produces where Marginal cost is less than Marginal Revenue

D. the firm produces at the social optimal level

2. In a free market, the combination of products will be determined by _____

A. market forces of demand and supply

B. the government

C. the law

D. the public sector

3. In the long run in perfect competition ______

A. the price equals the Total Revenue

B. firms are allocatively inefficient

C. firms are productively efficient

D. the price equals Total Cost

4. Firms in oligopoly are likely to:

A. invest heavily in branding

B. act independently of other firms

C. try to differentiate its product

D. try to be a price maker

5. Total revenue is always equal to _____.

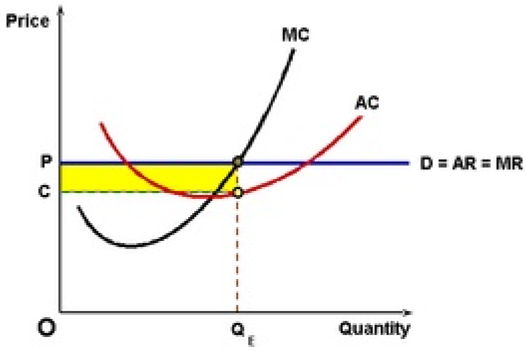
A. Marginal Revenue multiplied by Quantity Sold

B. Average Revenue plus Marginal Revenue

C. Marginal Revenue multiplied by Marginal Cost

D. Average Revenue multiplied by Quantity Sold

6. Under a perfect competitive market, the shaded portion in the diagram indicates that the firm is experiencing _____.



A. a declining stage

B. abnormal loss

C. abnormal profit

D. normal loss

7. The long-run is a period during which _____.

A. a firm can vary all its factors

B. a firm ceases to be an infant industry

C. at least one factor is fixed in supply

D. long term loans are repayable

8. Which of the following is true for a perfect competitor?

A. Price = AR, but AR < MR

B. Price = AR = MR

C. Price = MR, but MR < AR

D. Price = MC, but AR > MR

9. A profit maximising firm in a perfect competition produces where ______.

A. total revenue is maximised

B. Marginal Revenue equals zero

C. Marginal Revenue equals Marginal Cost

D. Margianl Revenue equals Average Cost

10. For a monopolist, the demand curve is ____.

A. downward sloping

B. perfectly elastic

C. perfectly inelastic

D. upward sloping

11. Firms in perfect competition face a ______.

A. perfectly elastic demand curve

B. perfectly inelastic demand curve

C. perfectly elastic supply curve

D. perfectly inelastic supply curve

12. In monopolistic competition, firms maximise profit where _____

A. Marginal Revenue = Average Revenue

B. Marginal Revenue = Marginal Cost

C. Marginal Revenue = Average Cost

D. Marginal Revenue = Total Cost

13. Which of the following is NOT a feature of a perfect market?

A. Large number of buyers and sellers.

B. Homogeneity of product.

C. Preferential treatment.

D. Absence of transportation cost.

E. Perfect knowledge of market situation.

14. An imperfect market in which there is only one buyer of a commodity is ______.

A. a monopsony

B. an oligopoly

C. a monopoly

D. a duopoly

15. Which of the following statements in true of oligopoly?

A. It does not include cases of duopoly.

B. It features many firms with equal market control.

C. It is characterised by competition through product differentiation.

D. It does not exist in reality.

E. It features only one producer or seller of a commodity.

16. Which of the following is obtainable in a perfect market?

A. P = MR > AR

B. MP = MC > P

C. MR < P

D. P = MR = MC

17. A market where there are many differentiated products is called _____.

A. a monopoly

B. a perfect competition

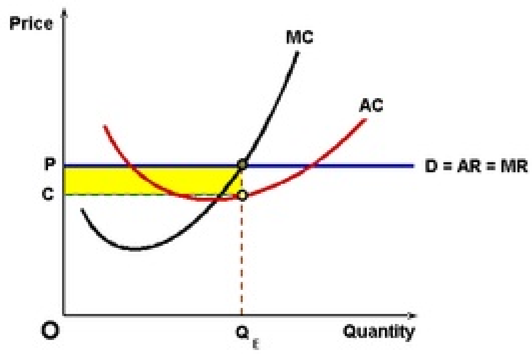
C. a monopolistic competition

D. an oligopoly

18. In the long run in perfect competition ______.
A. Price = Average Cost = Marginal Cost
B. Price = Average Cost = Total Cost
C. Price = Marginal Revenue = Total Cost
D. Total Revenue = Total Variable Cost

19. In monopoly when abnormal profits are made:
A. the price is less than the Marginal Cost
B. the price is less than the Average Cost
C. the Average revenue = Marginal Cost
D. revenue equals Total Cost

20. The shaded part in the diagram indicates ______



A. abnormal profit
B. cost of production
C. net profit
D. normal profit

21. Which of the following is NOT a cause of monopoly?
A. Government decision
B. Involuntary gang up
C. Legal creation
D. Patent right

22. In a free market ______.

A. government intervenes

B. government plan production

C. government interfere

D. prices adjust to reconcile scarcity and desires

23. The diagram represents ______

A. the short run supernormal profit in perfect competiton

B. price and quantity determination under a monopoly

C. the long run normal profit in perfect competition

D. price and quantity determination under oligopoly

24. In perfect competition ______.

A. short run abnormal profits are competed away by firms leaving the industry

B. short run abnormal profits are competed away by firms entering the industry

C. short run abnormal profits are competed away by greater advertising

D. short run abnormal profits are competed away by the government

25. The distinguishing characteristic between the money market and the capital market lies in whether the _____.

A. securities are primary or secondary

B. debt instruments provided are long-term or short-term

C. funds mobilized are private or public

D. securities are in debentures or ordinary shares

26. What is an oligopoly?

A. It is a market structure in which the supply of a commodity is concentrated in the hands of a single firm.

B. It is a market structure in which the supply of a commodity is concentrated in the hands of a few firms.

C. It is a market structure in which there is perfect competition.

D. It is a market structure in which different prices are slated for one commodity.

E. None of the above.

27. If a monopolist is attempting to maximize profit, which of the following should he attempt to do?

A. Equate average cost to average revenue.

B. Equate marginal cost to marginal revenue.

C. Equate marginal cost to average revenue.

D. Fix price and output.

28. A market can accurately be described as _______.

A. a place to buy things

B. a place to sell things

C. the process by which price adjust to reconcile the allocation of resources

D. a place where buyers and sellers meet

29. Barriers in a monopoly do NOT include ______

A. patent

B. internal economies of scale

C. mobility of resources

D. high investment costs

30. Barriers to entry _____.

A. enables abnormal profit to be made in the long run

B. enables loses to be made in the long run

C. enables abnormal profit to be made in the short run only

D. occur in perfect competition

31. Which of the following is NOT a type of revenue?

A. Marginal revenue

B. Average revenue

C. Total revenue

D. Fixed revenue

32. In monopolistic competition, if other firms are making abnormal profit, other firms will enter and ____

A. the Marginal Cost will shift outwards

B. the demand curve will shift inwards

C. the Average Cost will shift downwards

D. the Average Variable Cost will increase

33. The assumption of profit maximization implies that profit _____.

A. is the most important consideration of the firm

B. is the least consideration of the firm

C. assumes an insatiable proportion in the instruct of management

D. is made in order to break-even

E. None of the above

34. In perfect competition ______.

A. the price equals the Marginal Revenue

B. the price equals the average Variable Cost

C. the fixed cost equals the Variable Cost

D. the price equals the Total Cost

35. In perfect competition ______.

A. a few firms dominate the industry

B. firms are price makers

C. there are many buyers but few sellers

D. there are many buyers and sellers

36. In the short run, firms in perfect competition will still produce provided ______.

A. the price covers Average Variable Cost

B. the price covers Variable Cost

C. the price covers Average Fixed Cost

D. the price covers Fixed Cost

37. For a perfectly competitively firm ______.

A. Price = Marginal Revenue

B. Price is greater than Marginal Revenue

C. Price = Total Revenue

D. Price = Total Cost

38. Increased output will cause farmers' revenue to decrease when market demand is _____.

A. elastic

B. inelastic

C. unitary elastic

D. perfectly elastic

39. Monopoly power is derived from all of the following, except ______.

A. competition

B. licenses

C. patents

D. cartels

40. Barriers to entry ______.

A. does not exist in monopoly

B. cannot exist in oligopoly

C. does not exist in oligopolistic competition

D. does not exist in perfect competition

41. The market type in which producers are price takers is called _____.

A. perfect market

B. an oligopoly

C. a monopoly

D. a monopsony

42. If a few firms dominate an industry, the market is known as ______

A. Monopolistic competition

B. Competitively monopolistic

C. Duopoly

D. Oligopoly

43. In a monopoly, which of the following is NOT true?

A. Products are differentiated

B. There is freedom of entry and exit into the industry in the long run

C. The firm is a price taker

D. There is one main seller

44. Which of the following is true about monopoly?

A. There are many buyers and sellers

B. There is one main buyer

C. There is one main seller

D. The actions of one firm do not affect the market price and quantity

45. In a cartel, member firms can be given a fixed amount to produce. This is called a ____

A. limit

B. factor

C. quota

D. quotient

46. In monopolist competition _______.

A. there are few sellers

B. there are few buyers

C. there is one seller

D. there are many sellers

47. To maximise sales revenue, a firm should produce where ______.

A. Marginal Cost equals 0

B. Marginal Revenue equals 1

C. Total Cost = Price

D. Marginal Revenue = Total Revenue

48. Abnormal profits are _____.

A. experienced under monopoly

B. reaped under perfect competition in the short run only

C. experienced under oligopoly

D. all of the above

49. Which of the following is true of a monopolistic competition?

A. It has features of a monopoly, but not a perfect competition.

B. It has features of a perfect competition, but not a monopoly.

C. It is characterised by long run abnormal profits.

D. It has features of both a monopoly and a perfect competition.

E. It has a demand curve that is downward sloping.

50. An imperfect market is characterised by ____.

A. perfect mobility of factors of production

B. many buyers and few sellers

C. a large number of buyers and sellers

D. non-preferential treatment

51. The biggest positive difference between Total Revenue and Total Cost is where ______

A. Total Revenue equals Total Cost

B. Marginal Revenue = Marginal Cost

C. Total Revenue = Total Cost

D. Profits = 0

52. Which of the following is compatible with a firm in a perfect competition?

A. Demand is perfectly elastic.

B. Demand is infinitely inelastic.

C. Marginal cost is falling.

D. Price is greater than marginal cost.

E. All of the above.

TOPIC: PETROLEUM AND THE NIGERIAN ECONOMY

DIRECTION: Choose the correct answer from the lettered options.

1. The petro-chemical industries in Nigeria are located in Rivers State due to _____.

A. favourable climate

B. favourable soil

C. availability of oil deposits

D. surplus palm oil products

E. availability of coal deposits

2. Who discovered Nigeria's first commercial oil well?

A. Mobil

B. Gulf

C. Shell - Bp

D. Texaco

3. Which of the following is NOT a role of NNPC in the petroleum industry?

A. Increase in external trade

B. Increase in government revenue

C. Increase in foreign exchange reserves

D. Greater unemployment rate

4. The first place that petroleum was produced in large quantity was in _______.

A. Britain

B. America

C. Iran

D. Iraq

5. Where was Nigeria's first oil well?

A. Erema

B. Akabuka

C. Oloibiri

D. Obagi

6. Which of these statements is NOT true about Nigeria's petroleum history in 1971?

A. The Nigerian National Oil Corporation (NNOC) was created.

B. Nigeria joined OPEC.

C. The Petroleum Energy Ministry was created.

D. The federal government acquired majority interests in all foreign oil companies.

E. None of the above.

7. Which of the following is a statutory function of the Nigerian National Petroleum Corporation (NNPC)?

A. Oil exploration.

B. Transportation of petroleum products.

C. Marketing and refining of petroleum products .

D. Oil policy implementation.

E. All of the above.

8. The five founding members of OPEC are _____.

A. Iraq, Iran, Kuwait, Saudi Arabia, and Venezuela

B. Iraq, Iran, Nigeria, Saudi Arabia, and Gabon

C. Iraq, Iran, Algeria, Libya, and Saudi Arabia

D. Iran, Iraq, Algeria, Nigeria, and Saudi Arabia

E. Iran, Nigeria, Saudi Arabia, Ghana, and South Africa

9. In what year did the Nigerian National Oil Corporation (NNOC) become Nigerian National Petroleum Corporation?

A. 1971

B. 1973

C. 1975

D. 1977

10. The most important contribution of the petroleum industry to the overall economic development of Nigeria is in the area of _______.

A. employment generation

B. energy supply

C. foreign exchange earnings

D. infrastructural development

11. The gold standard was essentially ______.

A. a fixed exchange rate system

B. a floating exchange rate system

C. a managed floating exchange rate system

D. an intermediate exchange system

12. The Kaduna refinery was established in the year ______.

A. 1978

B. 1980

C. 1988

D. 1990

13. The Nigerian National Oil Corporation was created in _______.

A. 1969

B. 1971

C. 1973

D. 1975

14. Petroleum exploration involves _______.

A. the transportation of petroleum

B. the refining

C. the search for petroleum

D. the production of petroleum

15. Petroleum was produced in large quantity for the first time in the _______.

A. 1810s

B. 1830s

C. 1850s

D. 1870s

16. Oil exploration in Nigeria dates back to _____

A. 1958

B. 1946

C. 1937

D. 1908

17. Petroleum has made the following positive contributions to the Nigerian economy, except _____.

A. increase in external trade

B. greater redeployment oppurtunities

C. increase in government revenue

D. greater capital formation

18. The Port Harcourt refinery was established in the year _____.

A. 1960

B. 1965

C. 1968

D. 1969

19. When was the first offshore oil struck in Nigeria?

A. 1961

B. 1962

C. 1963

D. 1964

20. The Warri refinery was established in the year _____.

A. 1965

B. 1970

C. 1978

D. 1989

21. In what century was petroleum first produced in large quantities?

A. 19th

B. 18th

C. 17th

D. 16th

22. As an international cartel, the OPEC influences world oil price by ______.

A. allowing each member country to export as much oil as it can

B. allowing each member country to fix its own price

C. building refineries in all member countries

D. controlling the amount of oil supplied by each member country

23. The first commercial oil well in Nigeria was discovered in _____.

A. 1938

B. 1951

C. 1956

D. 1958

E. 1960

24. The first export shipment of oil from Nigeria was in ________.

A. 1958

B. 1956

C. 1954

D. 1952

25. When was the first barrel of oil produced in Nigeria?

A. 1953

B. 1955

C. 1957

D. 1959

26. Petroleum is an example of ______.

A. human capital

B. technology

C. physical capital

D. a non-renewable resource

E. mental capital

27. In order to stabilise oil price in the world market, there is the need for OPEC members to ______.

A. always have budget deficit

B. encourage competition among themselves

C. adhere to production quotas

D. fix the price of non-oil products

28. What was the weight of the first shipment from Nigeria?

A. 220 tons

B. 245 tons

C. 270 tons

D. 300 tons

29. The leading producer of petroleum in the 1960s was _______.

A. Venezuela

B. Saudi Arabia

C. Kuwait

D. America

30. Which company first struck offshore oil in Nigeria?

A. Gulf oil company

B. Shell Bp

C. Agip oil company

D. Nigerian National Oil Company (NNOC)

31. Which of the following is NOT formed from petroleum?

A. Petrol

B. Diesel

C. Motor oil

D. Hydrocarbons

TOPIC: THEORY OF DEMAND, SUPPLY AND PRICE DETERMINATION

DIRECTION: Choose the correct answer from the lettered options.

1. Which of the following is an important function of prices in a market economy?

A. Ensuring that resources are used in the most efficient manner.

B. Ensuring an equitable distribution of goods and/or services.

C. Ensuring that all industries are perfectly competitive in the long run.

D. Equating level of purchases with level of needs.

E. None of the above.

2. The price system is _____.

A. a market where there are multiple price mechanisms

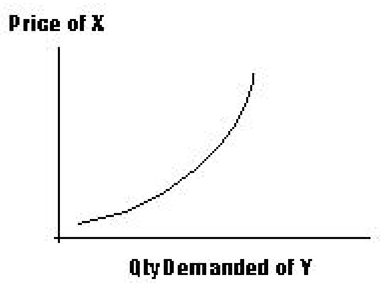
B. a market where a single price rules

C. a system where prices are allocated by the government

D. a system of price allocation through the interplay of supply and demand

E. the price of goods and services in the market place

3. If the curve shows the relationship between the price of commodity X and the quantity demanded of commodity Y, then X and Y are _____ goods.



A. complementary

B. substitute

C. inferior

D. luxury

E. substandard

4. The cross elasticity of demand when an increase in the price of oranges from N0.50 to N0.75 results in an increase in the quantity demanded of ice cream from 100 to 300 is ____.

A. 2

B. 4

C. 5

D. 6

E. 1

5. If a 4% increase in price leads to a 8% increase in the quantity supplied: ______.

A. supply is price elastic

B. supply is income elastic

C. price elasticity of demand is -2

D. supply is price inelastic

6. If as a result of a fall in the price of commodity X, the quantity demanded of commodity Y increases, the commodities X and Y are _____

A. complementary

B. in joint demand

C. luxuries

D. in composite demand

E. substitutes

7. Goods whose demand varies inversely with change in income is known as ______.

A. consumer goods

B. inferior goods

C. ostentatious goods

D. producer goods

8. The process of selling a particular commodity at different prices is called _____.

A. price control

B. price discrimination

C. price haggling

D. price hike

9. Which of the following happens in a severely declining economy?

A. Supply of funds rises and interest rates rise.

B. Supply of funds falls and interest rates rise.

C. Demand for funds falls and interest rates fall.

D. Demand for funds rises and interest rates rise.

10. When the price of commodity A increases and the demand for B falls, A and B are said to be _____ goods.

A. substitute

B. complementary

C. supplementary

D. giffen

11. The effects on the demand for product A caused by a change in the price of product B is called _____.

A. cross elasticity of demand

B. price elasticity of demand

C. complementary demand

D. composite demand

12. If the coefficient of price elasticity of supply is 1.5, then the supply is _____.

A. perfectly inelastic

B. inelastic

C. infinitely elastic

D. elastic

13. If price decreases from N2,000 to N1,800, quantity demanded per year increases from 5000 to 6000 units. Which of the following is correct?

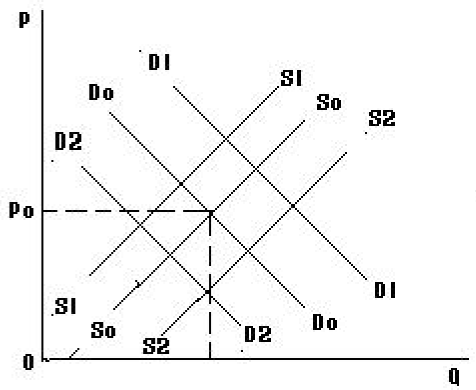
A. The price elasticity of demand is -2

B. The good is inferior

C. Income elasticity is +0.5

D. Income elasticity is +2

14. Suppose that the equilibrium price of an article is ₦5, but the government fixes the price by law at ₦4. The supply will be _____.



A. the same as the equilibrium supply

B. greater than the equilibrium supply

C. less than the equilibrium supply

D. determined later by the government

15. When a market is in equilibrium, ______.

A. quantity demanded equals quantity supplied

B. excess demand and excess supply are zero

C. the market is cleared by the equilibrium price

D. All of the above

The correct answer is option [D]

16. Prices increases from N10 to N12 and the price elasticity of demand is -0.5. The quantity demanded was 500 units. What will it be now?

A. 550 units

B. 500 units

C. 490 units

D. 450 units

17. Consider two goods as good substitutes for one another; an increase in the demand for one will reduce the demand for the other. This type of demand is called ____.

A. composite demand

B. complementary demand

C. derived derived

D. competitive demand

The correct answer is option [D].

18. The supply of beef and hides can be described as ____ supply.

A. supplementary

B. joint

C. composite

D. competitive

E. derived

19. Goods for which demand rises as income rises are ______.

A. complementary goods

B. inferior goods

C. normal goods

D. substitutes

20. Middlemen should NOT be retained in the chain of distribution because they _____.

A. provide after-sales services to customers

B. do not sell essential commodities to the poor

C. cannot provide credit facilities to their customers

D. hoard goods causing scarcity of commodities

21. What occurs when the price elasticity of demand for a certain commodity is less than unity?

A. An increase in price leaves the total revenue unchanged.

B. A decrease in price raises the total revenue of the supplier.

C. An increase in the price will raise total revenue.

D. A decrease in price leaves the total revenue constant.

E. Total revenue will equal total profit.

22. A supply curve that starts at the origin has ____

A. a price elasticity of supply greater than 1

B. a price elasticity of supply less than 1

C. a price elasticity of supply equal to 1

D. infinity price elasticity of supply

23. Average income increases from N20,000 per annum to N22, 000 per annum. Quantity demanded decreases from 5000 to 6000 units. Which of the following is correct?

A. Demand is price inelastic

B. The good is inferior

C. Income elasticity is -2

D. The good is a normal good

24. _____ and _____ do NOT directly affect the demand curve.

A. The price of related goods, consumer incomes

B. Consumer incomes, tastes

C. The costs of production, bank opening hours

D. The price of related goods, preferences

25. When the price of commodity X increases, the demand for commodity Y decreases. This means commodities X and Y are ____.

A. close substitutes

B. complementary goods

C. giffen goods

D. luxirious goods

26. Demand for a factor of production is a ______.

A. composite demand

B. joint demand

C. derived demand

D. competitive demand

27. Supply is likely to be more price elastic _______.

A. in the short run rather than the long run

B. if factors of production are relatively immobile between industries

C. if there are very few producers

D. if it is easy to expand output

28. If the price elasticity of demand is unit, then a fall in price: ______.

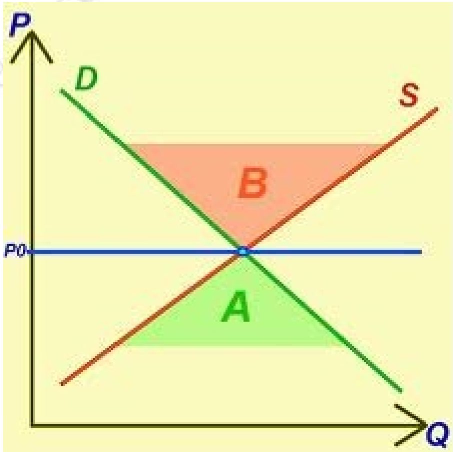
A. will reduce revenue

B. leaves revenue unchanged

C. increases revenue

D. reduces cost

29. In the diagram, the part labelled B represents _____.



A. surplus supply

B. surplus demand

C. shortage demand

D. equilibrium point

30. If a product is an inferior good: ______.

A. demand is inversely related to income

B. demand is inversely related to price

C. demand is directly related to price

D. demand is inversely related to the price of substitutes

31. If 'x' exhibits a high income elasticity of demand. It is likely to be _____.

A. a luxury good

B. an inferior good

C. a normal good

D. a giffen good

32. An increase in income should: ______.

A. shift demand for an inferior product outwards

B. shift demand for an inferior product inwards

C. shift supply for an inferior product outwards

D. shift supply for an inferior product inwards

33. If the cross elasticity of demad is -2: _____.

A. The products are substitutes and the demand is cross price elastic

B. The products are substitutes and the demand is cross price inelastic

C. The products are complements and the demand is cross price elastic

D. The products are complements and the demand is cross price inelastic

34. When elasticity is zero, the demand curve is _____.

A. perfectly elastic

B. perfectly inelastic

C. concave

D. downward sloping

35. When the demand for a good is fairly inelastic, the burden of an indirect tax falls _______.

A. more on the consumers of the good

B. more on the sellers of the good

C. on sellers and consumers equally

D. completely on the capital

36. The price system is _____.

A. the market price of commodities

B. a market system in which a single price rules

C. a system of price allocation to the products of the same firm

D. a system of resource allocation through supply and demand interactions

37. The price of agricultural products tend to be unstable because _______.

A. supply for agricultural products are price elastic

B. demand for agricultural products are price elastic

C. supply for agricultural products are stable

D. demand and supply for agricultural products are price inelastic

38. At what price will a trader be ready to sell 6 oranges using the equation

$P = 1/2q + 2$;

Where P is price and q is quantity?

A. ₦2.00

B. ₦3.00

C. ₦4.00

D. ₦5.00

39. For two substitute goods, the cross elasticity of demand is _____.

A. greater than one, but less than two

B. zero

C. negative

D. positive

40. If the price of a commodity rises from ₦2 to ₦4 and its supply increases from 100 to 125, the coefficient of supply is ____.

A. 0.025

B. 0.24

C. 0.22

D. 0.25

E. 0.23

41. Which of the following factors is an important determinant of the magnitude of price elasticity of demand?

A. Period of production.

B. Cost of storage.

C. Durability of the product.

D. Availability of factors of production.

42. If demand is price inelastic: ______.

A. an increase in price increases cost

B. an increase in price decreases revenue

C. an increase in price increases revenue

D. a decrease in price reduces sales

43. Which of the following is NOT true of a 'floor price'?

A. It is fixed by a minimum price legislation.

B. It is higher than the equilibrium price.

C. It has an example in minimum wages being stipulated in Nigeria.

D. It is fixed by a maximum price legislation.

44. If the demand of a commodity is inelastic, total revenue will fall if _____.

A. price increases

B. price decreases

C. price remains constant

D. price is not given

45. For an inferior good: _______.

A. the price elasticity is negative; the income elasticity is negative

B. the price elasticity is positive; the income elasticity is negative

C. the price elasticity is negative; the income elasticity is positive

D. the price elasticity is positive; the income elasticity is positive

46. Which of the following is NOT a factor which affects demand elasticity?

A. The availability of substitutes

B. Income

C. Absolute advantage

D. Time

47. If the coefficient of supply elasticity is greater than unity, supply is _____.

A. inelastic

B. perfectly elastic

C. fairly elastic

D. infinitely inelastic

48. If a commodity has many substitutes, it is most likely that _____.

A. the demand curve is fairly inelastic

B. the demand curve is fairly elastic

C. the demand curve is parallel to the quantity axis

D. the demand curve is positively sloped

49. The price elasticity of demand is a negative number. This means that _______.

A. demand is price elastic

B. demand is price inelastic

C. the demand curve is downward sloping

D. an increase in income will reduce the quantity demanded

50. A situation in which an increase in the supply of certain goods leads to a fall in the supply of other goods is known as _____.

A. competitive supply

B. derived demand

C. competitive demand

D. joint supply

51. The equilibrium price clears the market; it is the price at which _______.

A. everything is sold

B. buyers spend all their money

C. suppliers supply all that they have produced

D. excess demand is zero

52. For a normal good: ______.

A. the price elasticity is negative; the income elasticity is negative

B. the price elasticity is positive; the income elasticity is negative

C. the price elasticity is negative; the income elasticity is positive

D. the price elasticity is positive; the income elasticity is positive

53. A commodity is said to have derived demand when it _____.

A. is demanded for alongside the demand of another commodity

B. is demanded by the rich only

C. is demanded for immediate consumption

D. is demanded because of what it can help produce, and not for itself

E. when it has a close substitute

54. When the demand for a commodity is inelastic, total revenue will fall if _______.

A. price is increased

B. price is reduced

C. price is constant

D. price is not given

55. If the demand for X decreases when the demand for Y increases, the demand is described as ______.

A. complementary

B. competitive

C. derived

D. composite

E. supplementary

56. Price can be defined as _____.

A. a ratio of exchange

B. a medium of exchange

C. the cost of a product

D. the standard of accounting

E. the opportunity forgone

ANSWERS

TOPIC: ECONOMIC DEVELOPMENT AND PLANNING

DIRECTION: Choose the correct answer from the lettered options.

1. The following factors account for the slow pace of economic development EXCEPT ______.

A. high population growth rate

B. inadequate capital

C. inadequate infrastructural facilities

D. large market and effective demand

The correct answer is option [D]

2. The maintenance of general economic stability in a country necessarily relies heavily on _____.

A. the federal fiscal policy

B. coordinated federal, state, and local fiscal policies

C. federal grants to states and local governments

D. federal grants to local governments only

E. none of the above

The correct answer is option [B]

3. Which of the following policies is least likely to increase growth in an underdeveloped country?

A. Increased restrictions on importing foreign-made goods.

B. An increase in political stability.

C. Increased spending on public education.

D. Ban on indigenous products.

The correct answer is option [D]

4. The opportunity cost of an increase in economic growth is ______.

A. a reduction in current savings

B. a reduction in current consumption

C. a reduction in the level of investment spending

D. an increase in government spending to control the resulting inflation

The correct answer is option [C]

5. An injection of funds into a less developed country might set off _____.

A. the multiplier

B. unemployment

C. underdevelopment

D. infant mortality

The correct answer is option [A]

6. Which of the following measures will promote a more rapid economic development in Nigeria?

A. Continued dependence on oil exports.

B. Concentration on agriculture.

C. Diversification of the economy.

D. Establishment of more banks.

The correct answer is option [C].

This is because diversification involves a degree of specialisation in every sector of the economy.

7. Which of the following is NOT an objective of commercialization?

A. Developing good and efficient management for the enterprises

B. Improving the operating efficiency of public enterprises

C. Increasing the dependence of the economy on foreign capital ownership and control

D. Increasing the participation of the citizens in economic activities

The correct answer is option [C]

8. In a less developed country: _______.

A. per capita income is likely to be high

B. real wages are likely to be high

C. unemployment is likely to be high

D. the primary sector is likely to be significant

The correct answer is option [D]

9. Developing economies usually _______.

A. have large industrial sectors

B. depend on primary products

C. have high levels of wealth

D. earn more from exports than is spent on imports

The correct answer is option [B]

10. LIBOR means _____.

A. London Interim Body on Research

B. London Interbank Offered Rate

C. London International Borrowers Offer Rate

D. London Investment Bank Ordinary Returns

E. London Internal Banking Offer Rate

The correct answer is option [B]

LIBOR is a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the London wholesale money market (or interbank market). LIBOR is the opposite of the London Interbank Bid Rate (LIBID).

11. Structural Adjustment Programme (SAP) came into effect on ____.

A. 27 July, 1986

B. 27 June, 1986

C. 26 June, 1986

D. 26, July, 1986

E. None of the above

The correct answer is option [B]

12. Labour in underdeveloped countries are characterised by all the following, except ____.

A. lack of occupational specialisation

B. lack of entrepreneurial ability

C. high productivity level

D. low labour mobility

E. none of the above

The correct answer is option [C]

13. Which of the following is NOT a feature of under-development?

A. Low per capita income.

B. Vicious circle of poverty.

C. Low level of industrialisation.

D. Greater dependence on primary production.

E. High per capita income.

The correct answer is option [E].

14. Which of the following is NOT a way of helping developing economies?

A. Aid

B. Loans

C. Protectionism from developed markets

D. Training and educational programmes

The correct answer is option [C]

15. Nigeria's first National Development Plan spanned _____.

A. 1962 - 1968

B. 1970 - 1974

C. 1945 - 1955

D. 1955 - 1960

E. 1960 - 1965

The correct answer is option [A]

16. Which of the following is the single most important determinant of the standard of living in an economy?

A. Productivity growth.

B. Technological growth.

C. Population growth.

D. Growth in capital stock.

The correct answer is option [A]

17. Which of the following is NOT a policy the government should adopt if it wants to increase economic growth?

A. Encourage savings and investment.

B. Erect stiff trade barriers.

C. Fund research and development on new technologies.

D. Pursue policies designed to stabilise the economy.

The correct answer is option [B]

18. The external financial measures used to pursue the Structural Adjustment Programme (SAP) excluded ____.

A. debt rescheduling

B. debt-equity swaps

C. debt cancellation

D. the second-tier foreign exchange market

The correct answer is option [C]

19. Less developed countries tend to have ______.

A. a high average age

B. a slow population growth rate

C. a high life expectancy

D. a low literacy rate

The correct answer is option [D]

20. Developing economies usually have _______.

A. low GDP per capita

B. low consumer price index

C. high balance of payment surplus

D. large budget surplus

The correct answer is option [A]

21. A sustained increase in the production of the goods and services in a country is called economic _____.

A. development

B. growth

C. diversification

D. planning

E. increase

The correct answer is option [B].

Economic development is the process by which there is a long period of sustained growth in the per capita real income of a country.

Economic planning is the process by which definite targets are set for the economy as a whole by a central authority and resources are released and directed to the achievement of those targets within a specified period.

22. Classical economists held that the surest way to development was ____.

A. gross increase in acreage under cultivation

B. aggressive mercantilism

C. outright prohibition of imports

D. capital accumulation

E. continous rising in investment

The correct answer is option [D]

23. Which of the following would be expected to increase the rate of growth of productivity?

A. A decrease in the available amount of physical capital.

B. A decrease in the amount of government spending on education.

C. An increase in government spending on transfer programmes.

D. An increase in the level of technological knowledge.

The correct answer is option [D]

24. Which of the following is an example of an increase in technology?

A. A factory buys another fork lift.

B. A store owner sends his daughter to college who then comes back to work in the business after graduating.

C. A production engineer identifies a better way to organzise the assembly line for a particular good.

D. A factory hires workers with better training and skills.

The correct answer is option [D]

TOPIC: ELEMENTARY THEORY OF INCOME DETERMINATION

DIRECTION: Choose the correct answer from the lettered options.

1. An increase in the Marginal Propensity to Consume (MPC) will _____

A. increase the size of the multiplier

B. increase the MPC

C. decrease national income

D. reduce injections into an economy

The correct answer is option [A]

2. An increase in investment is most likely to be caused by _____.

A. lower interest rates

B. lower national income

C. a decrease in the Marginal Propensity to Consume (MPC)

D. an increase in withdrawals

The correct answer is option [A]

3. Gross Domestic Product minus depreciation equals _______.

A. disposable income

B. Gross National Product

C. Net Domestic Product

D. Net National Product

The correct answer is option [C]

4. If the Keynesian consumption function is C = 10 + 0.8yd. If disposable income is N1,000, what is the MPC?

[Hint: yd = disposable income, MPC = Marginal Propensity to consume]

A. 0.8

B. 800

C. 810

D. 0.81

The correct answer is option [A]

C = 10 + 0.8yd

MPC = $\Delta c/\Delta y$ = 0.8

5. Injections _______.

A. are assumed to be exogenous

B. are assumed to be a function of national income

C. decreases aggregate demand

D. decreases the investment into the economy

The correct answer is option [A]

6. Investment is ______.

A. an injection that increases aggregate demand

B. a withdrawal that increases aggregate demand

C. an injection that decreases aggregate demand

D. a withdrawal that decreases aggregate demand

7. An increase in consumption at any given level of income is likely to lead to ______

A. a fall in savings

B. an increase in exports

C. a fall in taxation

D. a decrease in import spending

The correct answer is option [A]

8. In the long run, the Nigerian naira appreciates if _____.

A. Nigerian prices rise and Nigerian productivity falls

B. Nigerian prices fall and Nigeria increases tariffs on imports

C. Nigerian prices fall and Nigeria removes all import quotas

D. Nigerian interest rates rise and Nigeria removes all tariffs on imported goods

The correct answer is option [B]

9. If the Marginal Propensity to Consume (MPC) on domestic product is 0.9, the size of the multiplier is:

A. 10

B. 1

C. 9

D. 0.1

The correct answer is option [A]

Multiplier = 1/1 - MPC or 1/MPS

10. Assume National Income to be ₦2,000 of which ₦1,400 is consumed while ₦600 is saved. With an increase of the national income to ₦3,000, consumption spending rose to ₦2,200. The economy also benefitted from an injection of ₦1,000. What is the MPC for the economy described?

A. 0.8

B. 0.7

C. 0.2

D. 0.92

The correct answer is option [A]

Change in income = 3,000 - 2,000 = 1,000

Change in consumption = 2,200 - 1,400 = 800

MPC = Change in consumption/Change in income = 800/1000 = 0.8

11. The Marginal Propensity to Consume (MPC) is equal to _____

A. total spending/total consumption

B. total consumtion/total income

C. change in consumption/change in income

D. change in consumption/change in savings

The correct answer is option [C]

12. Investment depends mainly on _____.

A. past level of income

B. furture expected profits

C. present national income levels

D. historic data

The correct answer is option [B]

13. Which of the following describes the Multiplier?

A. Product of income and expenditure.

B. Curves of savings and expenditure.

C. Ratio of change in income to the expenditure that brought about it.

D. Constant level of Income.

E. Equality of Marginal Propensity to Consume and Save.

The correct answer is option [C].

The Multiplier effect shows the relationship between income generated and expenditure. It states that an expenditure will normally generate an income higher than itself and is written mathematically as 1/(1-MPC) = 1/MPS.

Where

MPC is Marginal Propensity to Consume

MPS is Marginal Propensity to Save

14. Which of the following is an injection into the economy?

A. Investment

B. Savings

C. Transportation

D. Import spending

The correct answer is option [A]

15. The theory of income determination was developed by _____.

A. Rev. Thomas Malthus

B. Lord John Maynard Keynes

C. Pastor Williams Effiong Udotong

D. H. J. Davenport

The correct answer is option [B]

16. The difference between gross investment and net investment is _____

A. depreciation

B. acceleration

C. deceleration

D. capital investment

The correct answer is option [A]

17. Investments depends mainly on _____.

A. past levels of income

B. future expected profits

C. present national income levels

D. historic data

The correct answer is option [B]

18. Balance of trade shows the relationship between total values of _______.

A. invisible exports and visible exports

B. invisible imports and invisible exports

C. visible exports and invisible imports

D. visible exports and visible imports

The correct answer is option [D]

19. Which of the following features would a nation have exhibited to lead to an appreciation in its currency in the long run?

A. High inflation and high productivity growth.

B. High productivity growth and increased tariffs on imports.

C. High productivity growth and reduced tariffs on imports.

D. Increased tariffs on exports.

E. None of the above.

The correct answer is option [B]

20. Which of the following is NOT an injection?

A. Investment

B. Government expenditure

C. Export

D. Import

The correct answer is option [D]

21. When withdrawals exceed injections, we expect _____.

A. a reduction in the level of national income

B. a fall in the volume of purchasing power

C. an eventual reduction in the level of imports

D. all of the above

The correct answer is option [D]

22. The level of the exchange rate of a country is important because the level determines in part ____.

A. the price of domestically produced goods to be sold abroad

B. the price of foreign produced goods to be sold domestically

C. the price that domestic citizens pay for foreign assets

D. all of the above

The correct answer is option [D]

23. If an increase in investment leads to a bigger increase in national income, this is called the _____ effect.

A. accelerator

B. aggregate demand

C. monetarism

D. multiplier

The correct answer is option [D]

24. A surplus in the combined current and capital accounts can be used up by _______.

A. decreasing foreign investments

B. increasing foreign investments

C. recalling foreign loans

D. selling foreign investments

The correct answer is option [B]

25. Lower interest rates are likely to _____

A. decrease consumption

B. increase cost of borrowing

C. encourage savings

D. increase spending

The correct answer is option [D]

26. An increase in national income is likely to ______.

A. decrease tax receipts

B. worsen the balance of trade

C. automatically cause an increase in government spending

D. cause an increase in subsidies

The correct answer is option [B]

27. An increase in national income is _______.

A. likely to increase exports

B. likely to decrease savings

C. likely to decrease investment

D. likely to increase spending on import

The correct answer is option [D]

28. What happens when the dollar moves from 100 yen to 110 yen?

A. The dollar depreciates.

B. The yen appreciates.

C. The dollar appreciates.

D. The yen depreciates.

E. None of the above.

The correct answer is option [C]

29. The following are areas of government investment EXCEPT _____.

A. defence

B. education

C. health

D. marriage

The correct answer is option [D]

30. Assume national income to be ₦2,000, of which ₦1,400 is consumed while ₦600 is saved. With an increase of the national income to ₦3,000, consumption spending rose to ₦2,200. The economy also benefitted from an injection of ₦1000.

By how much will national income increase as a result of the injection?

A. ₦1,000

B. ₦2,200

C. ₦5,000

D. ₦2,500

The correct answer is option [C]

Change in income = 3,000 - 2,000 = 1,000

Change in consumption = 2,200 - 1,400 = 800

MPC = Change in consumption/Change in income = 800/1000 = 0.8

Multilier (K) = 1/1 - MPC = 1/1 - 0.8 = 5

National income will increase by :

K = Change in income/Change in injection

5 = Change in income/1,000

Increase in income = 5 x 1000 = ₦5,000

31. If the Keynesian consumption function is C = 10 + 0.8yd. If disposable income is N1,000, what is total consumption?

[Hint: yd = disposable income]

A. 0.8

B. 800

C. 810

D. 0.81

The correct answer is option [C]

C = 10 + 0.8yd

C = 10 + 0.8 (1000)

C = 10 + 800

C = 810

32. If injections are greater than withdrawals ______.

A. national income will increase

B. national income will decrease

C. national income will remain in equilibrium

D. prices will fall

The correct answer is option [A]

33. The Average Propensity to Consume is the ratio of _______.

A. total consumption to total disposable income

B. average consumption to total disposable income

C. marginal consumption to total disposable income

D. average total consumption to total disposable income

The correct answer is option [A]

34. Which of the following correct?

A. Gross investment = net investment + depreciation

B. Net investment = gross investment + depreciation

C. Net investment = depreciation + capital consumption

D. Depreciation = gross investment + investment

The correct answer is option [A]

35. When a worker earns more than the wage just sufficient to keep him in his job, the excess is called _____.

A. an opportunity cost

B. an economic rent

C. transfer earning

D. salary

E. none of the above

The correct answer is option [B].

TRANSFER EARNINGS is an income given to an unproductive factor.

ECONOMIC RENT is the difference between what a factor of production is paid and how much it would need to be paid to remain in its current use.

TOPIC: ELEMENTS OF NATIONAL INCOME ACCOUNTING

DIRECTION: Choose the correct answer from the lettered options.

1. The total output of all the nationals of a country, wherever they may reside, is termed the _____.

A. Gross Domestic Product (GDP)

B. Gross National Product (GNP)

C. Net National Product (NNP)

D. Net Domestic Product (NDP)

The correct answer is option [B].

2. Given the formular for the national income multiplier as K = 1/1-mpc , mpc = 0.75, and an increase in government expenditure from ₦20 billion to ₦35 billion. Calculate the change in the level of national income.

A. ₦140 billion

B. ₦80 billion

C. ₦75 billion

D. ₦60 billion

The correct answer is option [D]

K = 1/1-mpc , mpc = 0.75

K = 1/1-0.75 = 1/0.25 = 4

Change in Government = 35,000,000,000 - 20,000,000,000 = 15,000,000,000

Change in the level of national income = K x Change in Government = 4 x 15,000,000,000 = 60,000,000,000

3. Which of the following is usually used as an indicator for standard of living?

A. Real GDP per capita

B. Net National Product at market prices

C. GNP at market prices - import

D. Real GDP + depreciation

The correct answer is option [A]

4. If the national income of a certain country is ₦900, 000,000.00 while its population is 450,000.00 what is the country's income per capita?

A. ₦ 200,000

B. ₦ 20,000

C. ₦ 2,000

D. ₦ 1,200

The correct answer is option [C]

Income Per Capita = GNP/Population

Income Per Capita = 900,000,000/450,000 = 2,000

5. The GNP at factor cost is equal to ______.

A. GDP at factor cost – imports + export

B. GNP at market prices – indirect taxes – subsidies

C. GDP at market prices – imports + export

D. GDP at factor cost + imports + export

E. GDP at factor cost – imports – export

The correct answer is option [A]

6. Gross Domestic Product (GDP) at market prices plus net factor income from abroad gives ______.

A. gross capital formation

B. Gross Domestic Product (GDP)

C. disposable income

D. Gross National Product (GNP)

The correct answer is option [D].

GNP = GDP – M + X

Where

M stands for imports

X for exports

7. To adjust GDP from market prices to factor cost _____.

A. add indirect taxes

B. subtract subsidies

C. deduct indirect taxes and subsidies

D. deduct indirect taxes and add subsidies

The correct answer is option [D]

8. The distinction between capital expenditure and recurrent expenditure lies in the ____.

A. nature of the goods and services to be provided

B. time frame of the expenditure

C. sources of the revenue generated

D. amount of expenditure involved

The correct answer is option [A].

9. The Per Capita Income (PCI) is calculated as ____.

A. GNP / Working Age Population

B. GDP / Population

C. GNP / Total Capital Expenditure

D. GNP / Population

The correct answer is option [D]

10. In Nigeria, the three approaches to National Income accounting is believed to have started in the year ____.

A. 1940

B. 1950

C. 1960

D. 1970

E. 1980

The correct answer is option [B]

11. GDP at factor cost is equal to _____.

A. GDP at market prices + indirect taxes – subsidies

B. GDP at market prices – indirect taxes + subsidies

C. GDP at market prices – indirect taxes – subsidies

D. GDP at market prices + direct taxes – indirect taxes

The correct answer is option [B]

12. Gross National Product (GNP) equal _____.

A. Net National Product adjusted for inflation

B. Gross Domestic Product adjusted for inflation

C. Gross Domestic Product + net property income from abroad

D. Net National Product + net property income from abroad

The correct answer is option [C]

13. To compare the standard of living among nations, the most widely used economic indicator is the _____.

A. real domestic output

B. real gross national income

C. real per capita income

D. per capita nominal income

E. Gross Domestic Product (GDP)

The correct answer is option [C].

14. The Net National Product (NNP) is equal to the _____.

A. Gross National Product (GNP) minus depreciation

B. Gross National Product (GNP) plus income from abroad

C. Gross National Product (GNP) less income from abroad

D. Gross National Product (GNP) plus indirect taxes

E. Gross National Product (GNP) plus depreciation

The correct answer is option [A].

16. Which of the following is NOT applicable to per capita income?

A. It is calculated as national income over population

B. It is calculated as population over national income

C. It helps in the assessment of standard of living

D. It is used as one of the indicators of economic growth

The correct answer is option [B]

17. The GNP at factor cost can be derived by all of the following means, except _____.

A. GDP at factor cost - imports + exports

B. GNP at market prices - indirect taxes + subsidies

C. GDP at market prices - imports + exports

D. GDP at factor cost + net property income from abroad

The correct answer is option [C]

18. Which of the following would be considered the best measure of the standard of living in a country?

A. Nominal GDP

B. Nominal GDP per capita

C. Real GDP

D. Real GDP per capita

The correct answer is option [D]

19. Personal savings are generally low in West Africa because of ____.

A. the level of income of the people

B. the refusal of banks to grant loans

C. overpopulation

D. cheaper foreign currencies

The correct answer is option [A].

20. Which of the following over estimates the value of national income?

A. Incomplete statistical data

B. Wrong timing of computation

C. Changes in prices of goods within the year

D. Double counting

The correct answer is option [D].

21. The difference between Gross Domestic Product (GDP) and Gross National Product (GNP) is ____.

A. depreciation

B. domestic investment abroad

C. foreign investment

D. indirect taxes and subsidies

The correct answer is option [B]

22. Net National Product equals ______.

A. Gross National Product adjusted for inflation

B. Gross Domestic Product adjusted for inflation

C. Gross Domestic Product + net property income from abroad

D. Gross National Product - depreciation

The correct answer is option [D]

23. To adjust from GNP to NNP ______.

A. deduct depreciation

B. deduct indirect taxes

C. deduct subsidies

D. add inflation

The correct answer is option [A]

24. The major objective of the revenue allocation formula in a country is to _____.

A. share revenue between the different tiers of government

B. divert revenue from areas of surplus to areas of need

C. ensure the financial viability of the country

D. share revenue between the public and private sector

The correct answer is option [A].

25. Which of the following involves measuring national income as the total money value of all final goods and services?

A. The output approach.

B. The expenditure approach.

C. The income approach.

D. The cummulative approach.

The correct answer is option [A]

26. Which of the following factors determines the size of National Income?

A. Technical efficiency

B. Environmental damage

C. Inflation

D. Political instability

The correct answer is option [A]

27. Which of the following equations is appropriate for determining the Net Domestic Product (NDP)?

A. NDP = GNP – depreciation

B. NDP = GDP + net income from abroad

C. NDP = GDP – depreciation

D. NDP = GDP x net income from abroad

The correct answer is option [C].

28. GDP at factor cost is equal to _____.

A. GDP at market prices + indirect taxes – subsidies

B. GDP at market prices – indirect taxes + subsidies

C. GDP at market prices – indirect taxes – subsidies

D. GDP at market prices + direct taxes – subsidies

E. GDP at market prices + indirect taxes + subsidies

The correct answer is option [B]

29. All of the following would cause the productivity in a country to increase EXCEPT ______.

A. an increase in technology.

B. an increase in the amount of resources per worker.

C. an increase in the size of the labour force.

D. an increase in the amount of capital per worker.

E. research and development

The correct answer is option [D]

30. Assume that initially, real GDP per capita is the same in countries A and B. Ceteris paribus, if the economy of country A grows at 3% while the economy of country B grows at 6%, ____.

A. after one year, real GDP per capita will be twice as large in country B as it is in country A

B. the standard of living will grow more rapidly in country B than it does in Country A

C. real GDP per capita will always by 3 percent higher in country B than it is in country A

D. because of diminishing returns, there will be no long-run effects on the relative standard of living in the two countries

The correct answer is option [B]

31. Which of the following is NOT a concept in National Income accounting?

A. Domestic National Product (DNP)

B. Gross National Product (GNP)

C. Gross Domestic Product (GDP)

D. Net Domestic Product (NDP)

The correct answer is option [A].

TOPIC: INDUSTRY AND INDUSTRIALISATION

DIRECTION: Choose the correct answer from the lettered options.

1. Which of the following is NOT a basic requirement for industrialisation?

A. Increase in the rate of capital formation.

B. Exclusion of government from economic planning.

C. Adoption of suitable investment pattern.

D. Removal of market imperfections.

E. Structural transformation.

The correct answer is option [B]

2. One advantage of export-promotion industrialisation is the creation of linkages. Which of the following is NOT true of linkages?

A. Forward linkage is not possible through vertical integration.

B. Linkages accelerate a country's industrial development.

C. Forward linkages are created when a new production method reduces the price of raw materials so low that industries take advantage of its cheapness.

D. Backward linkage occur when raw material needs become so powerful that new firms spring up to satisfy that need.

The correct answer is option [A]

3. Indigenisation policy in Nigeria was promulgated mainly to ______.

A. increase foreign domination of the economy

B. increase the participation of Nigerians in commerce and industry

C. reduce the income generation from commerce and industry

D. reduce the participation of Nigerians in commerce and industry

The correct answer is option [B]

4. An important factor hindering the rapid development of the industrial sector in Nigeria is _____.

A. rural-urban migration

B. excessive demand of finished products

C. availability of infrastructural facilities

D. the dominance of the oil sector

The correct answer is option [D].

5. An adverse environmental impact of the petroleum industry on the economy is ______.

A. communal riots

B. vandalization of oil equipment

C. oil spillage

D. community development

The correct answer is option [C].

6. _____ has been the most disturbing trend in the industrial sector in Nigeria since the mid-1980s.

A. Labour intensity

B. Capital intensity

C. Poor technology

D. Capital under-utilisation

The correct answer is option [D].

7. Which of the following is a problem of industrialisation in Nigeria?

A. Balance of payment position

B. Excise tax reduction

C. Political influence

D. Repatriation of profit

The correct answer is option [C]

8. The doctrine of the 'Big Push' which provides a theoretical basis for large-scale industrial development, was propounded by _____.

A. Professor Eugene Okorie

B. Professor Claude Ake

C. Professor Rosenstein Rodan

D. Professor Charles Kinleberger

The correct answer is option [C]

The Big Push Model is a concept in development economics or welfare economics that emphasises the fact that a firm's decision whether to industrialise or not depends on the expectation of what other firms will do. It assumes economies of scale and oligopolistic market structure.

9. Import substitution industrialisation can be encouraged by ____.

A. withdrawing import and export subsidies

B. abolition of import quotas and surcharges

C. giving up every form of economic integration

D. granting industries that produce such substitues loans and tax exemptions

E. None of the above

The correct answer is option [D]

A surcharge means an extra fee added onto another fee or charge.

10. The two Nigerian Enterprises Promotion Decrees were promulgated in _____.

A. 1972 and 1978

B. 1970 and 1977

C. 1972 and 1977

D. 1973 and 1979

E. 1974 and 1980

The correct answer is option [C]

11. The process of reducing foreign control of an economy is known as ______.

A. commercialisation

B. incorporation

C. indigenisation

D. industralisation

The correct answer is option [C]

12. What is the major reason for the location of the petroleum refinery in Kaduna?

A. The availability of market

B. The availability of raw materials

C. Government policy

D. Natural condition

The correct answer is option [B]

13. West African countries have encouraged industrial development through the _____.

A. expansion of port facilities

B. liberalization of foreign trade

C. restrictions on imports

D. award of contracts to foreigners

The correct answer is option [C].

Importation is restricted in order to reduce the influx of foreign goods and encourage indigenous (infant) industries.

14. Industries that can be randomly located are characterised by _____.

A. relatively low transport costs for both raw materials and output, as well as factor mobility

B. relatively heavy transport costs for both raw materials and output, as well as factor mobility

C. constant returns to scale

D. significant economy of scale

The correct answer is option [A].

15. Which of the following is NOT a benefit derived by Nigeria from the petroleum industry?

A. Increased foreign exchange earnings.

B. Establishment of refineries and petrochemical industries.

C. Employment of a greater proportion of the population.

D. Development of airports, seaports, and other social infrastructure.

The correct answer is option [D]

TOPIC: INTERNATIONAL ECONOMIC ORGANISATIONS

DIRECTION: Choose the correct answer from the lettered options.

1. Nigeria joined OPEC in ______.

A. July, 1971

B. June, 1970

C. July 1970

D. June, 1971

The correct answer is option [A]

2. The acronym UNCTAD stands for ________.

A. Unindependent Nations Committee on Tariff Development

B. Unindependent Nations Conference on Trade and Development

C. United Nations Committee on Tariff Development

D. United Nations Conference on Trade and Development

The correct answer is option [D]

3 Which international economic organisation is an association of Central Banks of some countries?

A. ECA

B. IMF

C. OPEC

D. WACH

The correct answer is option [D]

4. The International Bank for Reconstruction and Development (IBRD) was established in ______ and started operation in ______.

A. 1940, 1944

B. 1942, 1944

C. 1944, 1946

D. 1946, 1948

The correct answer is option [C]

5. The treaty which established IMF was signed in _______.

A. July, 1944

B. June, 1944

C. May, 1944

D. April, 1944

The correct answer is option [A]

6. Which of the following countries was NOT a member of the Economic Community of West African States (ECOWAS) as at December 2010?

A. Ghana

B. Côte d'Ivoire

C. Senegal

D. Niger

The correct answer is option [B].

Côte d'Ivoire was suspended after the 2010 elections.

7. The treaty establishing the ECOWAS was signed in Lagos on _______.

A. 25th June, 1973.

B. 20th May, 1974.

C. 28th May, 1975.

D. 12th September, 1975

The correct answer is option [C]

8. The African Development Bank (ADB) was established with the help of the ______ and the ______.

A. UN, ECA

B. OAU, ECA

C. ECA, EEC

D. OAU, UN

The correct answer is option [B]

9. Under the operations of the International Bank for Reconstruction and Development (IBRD), loans to the private sector which must be guarantee by the home government of the borrower are made through the _______.

A. International Finance Corporation (IFC)

B. International Development Association (IDA)

C. African development Bank (ADB)

D. European Economic Community (EEC)

The correct answer is option [A]

10. As a producers' association, the OPEC expects its members to maintain production where marginal cost is _____.

A. greater than price

B. less than price

C. equal to price

D. equal to average cost

The correct answer is option [D].

11. The devaluation of a currency as a condition for the International Monetary Fund loan is unadvisable because ____.

A. it would allow for more money to be spent on luxuries

B. the interest rates on bank loans would stabilize

C. it would decrease the demand for the country's exports

D. it could worsen the country's foreign exchange situation

The correct answer is option [D].

Devaluation brings down the value of a nation's currency relative to other country's. So with devaluation, the value of other currencies appreciate at the expense of ones nation.

12. One of the aims of the Economic Community of West African States (ECOWAS) is the ____.

A. liberation of trade among member states

B. reduction in the prices of essential commodities in West Africa

C. encouragement of revolts against former colonial masters

D. discouragement of trade among member states

E. all of the above

The correct answer is option [A].

ECOWAS promotes trading activities without tariffs, excise duties, embargo, quota system, e.t.c.

13. Which international organisation has the aim of increasing the growth rate of developing countries to not less than 5% per annum?

A. UNCTAD

B. ECA

C. EEC

D. IMF

The correct answer is option [A]

14. At OPEC's inauguration, there were ____ members.

A. 3

B. 4

C. 5

D. 6

The correct answer is option [C]

15. The idea to form ECOWAS was endorsed by the _______.

A. UN council of ministers

B. OPEC council of ministers

C. OAU council of ministers

D. EAC council of ministers

The correct answer is option [C]

16. The International Bank for Reconstruction and Development (IBRD) is also known by another name, what is this name?

A. International bank

B. Reconstruction bank

C. World bank

D. Development bank

The correct answer is option [C]

17. As at August 2012, the executive secretariate of ECOWAS was located in _______.

A. Abuja, Nigeria

B. Accra, Ghana

C. Yamoussoukro, Cote d'Ivoire

D. Praia, Cape verde

The correct answer is option [A]

18. The International Bank for Reconstruction and Development (IBRD) was formed at the _______.

A. Bretton Woods conference

B. Geneva conference

C. Paris conference

D. Addis Ababa conference

The correct answer is option [A]

19. As at August 2012, membership of Ecowas stood at _______.

A. 14

B. 15

C. 16

D. 17

The correct answer is option [C]

20. The International Finance Corporation (IFC) and the International Development Association (IDA) are affiliated to ________.

A. International Monetary Fund (IMF)

B. European Economic Community (EEC)

C. United Nations Conference on Trade and Development (UNCTAD)

D. International Bank for Reconstruction and Development (IBRD)

The correct answer is option [D]

21. Which of these countries is NOT a signatory to the European Economic Community (EEC) treaty of Rome in 1957?

A. Britain

B. Italy

C. Luxemburg

D. Belgium

E. Nigeria

The correct answer is option [A]

22. The acronym WACH stands for _______.

A. West African Community Home

B. West African Clearing Home

C. West African Clearing House

D. West African Central House

The correct answer is option [C]

23. Who established the Economic Commission for Africa (ECA)?

A. The United Nations Financial and Social Council

B. The United Nations Trade and Social Council

C. The United Nations Economic and Social Council

D. The United Nations Monetary and Social Council

The correct answer is option [C]

24. The idea to form ECOWAS was endorsed in ______.

A. 1973

B. 1974

C. 1975

D. 1976

The correct answer is option [A]

25. Where was the IMF set up?

A. The international conference on monetary and financial matters

B. The international conference on monetary and economic matters

C. The international conference on financial funds matters

D. The international conference on fund management matters

The correct answer is option [A]

26. The following are objectives of NEPAD EXCEPT _______.

A. enhancing integration into the global economy

B. eradicating poverty

C. forging a new International partnership

D. guaranteeing Africa's poor governance

The correct answer is option [D]

NEPAD - New Partnership for Africa's Development

27. Who endorsed the idea to form ECOWAS?

A. UN

B. OAU

C. OPEC

D. EAC

The correct answer is option [B]

28. The IMF was set up in ______.

A. Addis Ababa in Ethiopia

B. Abuja in Nigeria

C. Bretton Woods in USA

D. Telford Shropshire in UK

The correct answer is option [C]

29. Which of the following is NOT an aim of the European Economic Community (EEC)?

A. To harmonise agricultural policies

B. To eliminate trade barriers among members

C. To improve the living and working conditions of people

D. To adopt a common external commercial policy

The correct answer is option [A]

30. Which of the following is achieved through ECOWAS' funding?

A. Guaranteeing investments for joint enterprises.

B. Financing EEC projects in West Africa.

C. Paying salaries of African employees in the World Bank.

D. Providing money for ECOMOG operations.

The correct answer is option [B].

31. Which of the following is NOT an aim of IMF?

A. To stabilise the exchange rates among different currencies of the world.

B. To abolish all barriers to trade.

C. To promote monetary cooperation among members.

D. To prevent competitive devaluation by members.

The correct answer is option [B]

32. Through membership of the Economic Community of West African States (ECOWAS), countries have achieved ____.

A. full employment of resources

B. a large market for their products

C. military superiority over other African countries

D. higher transportation cost of goods within the region

The correct answer is option [B].

33. When was WACH established?

A. April, 1975

B. May, 1975

C. June, 1975

D. July, 1975

The correct answer is option [C]

34. The treaty of Rome is officially called the _______.

A. treaty offically establishing the African development Bank (ADB)

B. treaty offically establishing the European Economic Community (EEC)

C. treaty offically establishing the International Monetary Fund (IMF)

D. treaty offically establishing the United Nations Conference on Trade and Development (UNCTAD)

The correct answer is option [B]

35. The treating establishing the European Economic Community (EEC) was signed on _______.

A. January 1, 1958

B. January 1, 1958

C. March 25, 1957

D. March 25, 1958

The correct answer is option [C]

36. Under the operations of the International Bank for Reconstruction and Development (IBRD), public sector loans are made through the _______.

A. International Finance Corporation (IFC)

B. International Development Association (IDA)

C. African development Bank (ADB)

D. European Economic Community (EEC)

The correct answer is option [B]

37. Which of the following is NOT an international economic organisation?

A. Economic Commission for Africa (ECA)

B. Africa Development Bank (ADB)

C. World Health Organisation (WHO)

D. International Monetary Fund (IMF)

The correct answer is option [C]

38. Which one of the following was NOT a member when OPEC was inaugurated?

A. Iraq

B. Kuwait

C. Venezuela

D. Indonesia

The correct answer is option [D]

OPEC was founded in 1960.

Indonesia joined OPEC in 1962 but suspended its membership effective January 2009.

The founding members are Iran, Iraq, Kuwait, Saudi Arabia and Venezuela.

39. Which of the following is NOT a reason for the establishment of international economic organisations?

A. To encourage trade

B. To encourage competitive devaluation by countries

C. To foster economic cooperations

D. To encourage economic growth

The correct answer is option [B]

40. Which one of these countries signed the treaty that established the European Economic Community (EEC)?

A. Denmark

B. Britain

C. Luxembourg

D. Ireland

The correct answer is option [C]

41. Monetary policies in Nigeria are carried out through _____.

A. the government

B. the Central Bank of Nigeria

C. commercial banks

D. insurance houses

The correct answer is option [B]

42. Which international organisation has the aim of bridging the gap between the developing countries and the developed?

A. EEC

B. UNCTAD

C. IMF

D. WACH

The correct answer is option [B]

43. The treaty establishing the ECOWAS was signed by ______ independent states of West Africa.

A. 13

B. 14

C. 15

D. 16

The correct answer is option [C]

44. Which one of the following is NOT a member of WACH?

A. Sudan

B. Guinea Bissau

C. Mauritania

D. Nigeria

The correct answer is option [A]

45. How many countries signed the treaty which established the IMF?

A. 34

B. 39

C. 40

D. 44

The correct answer is option [D]

46. The main aim of establishing the International Bank for Reconstruction and Development (IBRD) was ______.

A. to facilitate the convertibility of members' currencies

B. to stabilise the exchange rate among member countries

C. to aid the advancement of the less developed countries by providing long term soft loan

D. to facilitate the expansion and balanced growth of international trade

The correct answer is option [C]

47. In what year did the IMF come into operation?

A. 1944

B. 1947

C. 1949

D. 1950

E. 1952

The correct answer is option [B]

48. The African development bant (ADB) headquarters was located in ____ as at December 2010.

A. Cotonou, Benin Republic

B. Addis Ababa, Ethiopia

C. Abidjan, Cote d'Ivoire

D. Libreville, Gabon

E. Abuja, Nigeria

The correct answer is option [C]

49. Which one of the following is NOT an aim for establishing WACH?

A. To ensure the use of members' currencies for intra sub regional transactions.

B. To ensure the price stabilisation of oil price among member countries inorder to eliminate fluctuations.

C. To boost commercial exchange among members.

D. To bring about the conservation of foreign reserves of members.

The correct answer is option [B]

50. SDR means _____.

A. Savings Discount Requirements

B. Special Drawing Rights

C. Savings Deposit Rediscount

D. Savings Drawing Rights

E. None of the above

The correct answer is option [B]

Special Drawing Rights (SDRs) is a potential claim on the freely usable currencies of International Monetary Fund members. SDRs have the ISO 4217 currency code XDR.

SDRs are defined in terms of a basket of major currencies used in international trade and finance. At present, the currencies in the basket are the euro, the pound sterling, the Japanese yen and the United States dollar. Before the introduction of the euro in 1999, the Deutsche mark and the French franc were included in the basket. The amounts of each currency making up one SDR are chosen in accordance with the relative importance of the currency in international trade and finance. The determination of the currencies in the SDR basket and their amounts is made by the IMF Executive Board every five years.

51. Which of the following is NOT an aim of OPEC?

A. Coordination of petroleum policies

B. Unification of petroleum policies

C. Unification of member currencies

D. Stabilisation of petroleum policies

The correct answer is option [C]

52. The headquarters of WACH is in _______.

A. Abuja, Nigeria

B. Yamoussoukro, Cote d'Ivoire

C. Freetown, Sierra leone

D. Accra, Ghana

The correct answer is option [C]

53. From the options given, the last country to join ECOWAS was _______.

A. Togo

B. Niger

C. Nigeria

D. Cape Verde

The correct answer is option [D]

54. How many countries signed the treaty that established the European Economic Community (EEC)?

A. 3

B. 4

C. 5

D. 6

The correct answer is option [D]

The treaty was signed by Belgium, France, Germany, Luxembourg, Netherlands and Italy.

55. The International Bank for Reconstruction and Development (IBRD) obtains funds from the following sources EXCEPT _______.

A. members' contributions

B. personal savings from individuals

C. loans from developed countries

D. sales of bond in the world capital market

The correct answer is option [B]

56. The headquarters of Economic Commission for Africa (ECA) is in _______

A. Geneva, Switzerland

B. Addis Ababa, Ethiopia

C. Freetown, Sierra Leone

D. Abuja, Nigeria

The correct answer is option [B]

57. The Economic Commission for Africa (ECA) is one of the agencies of the ________.

A. Organisation of the Petroleum Exporting Countries (OPEC)

B. Organisation of African Unity (OAU)

C. Economic Community of West African States (ECOWAS)

D. United Nations

The correct answer is option [D]

58. The principal governing body of ECOWAS is the ______.

A. executive secretariat

B. council of ministers

C. judicial secretariat

D. heads of state and government

The correct answer is option [D]

59. The acronym IBRD stands for ______.

A. International Bank for Reparation and Development

B. International Bank for Reformation and Development

C. International Bank for Regeneration and Development

D. International Bank for Reconstruction and Development

The correct answer is option [D]

60. The New Partnership for Africa's Development (NEPAD) was formerly adopted at the 37th summit of the OAU in _____.

A. January 2001

B. June 2001

C. July 2001

D. June 2002

The correct answer is option [C]

61. Which of the following statements is untrue?

A. the IBRD came into operation in 1946.

B. the IBRD has two affiliates, the IFC and IDA.

C. the IBRD is not the same as the World Bank.

D. the IBRD is the same as the World Bank.

E. the IBRD was formed at the Bretton Woods conference of 1944.

The correct answer is option [C]

62. When was OPEC formed?

A. 1958

B. 1960

C. 1962

D. 1964

The correct answer is option [B]

63. By 1988, membership of OPEC had risen to ______.

A. 8

B. 13

C. 15

D. 18

The correct answer is option [B]

The 13 members include Iran (1960), Iraq (1960), Kuwait (1960), Saudi Arabia (1960), Venezuela (1960), Qatar (1961), Indonesia (1962), Libya (1962), United Arab Emirates (1967), Algeria (1969), Nigeria (1971), Equador (1973) and Gabon (1975).

64. The headquarters of the African Development Bank (ADB) is in ______.

A. Accra, Ghana

B. Abuja, Nigeria

C. Abidjan, Cote d'Ivoire

D. Freetown, Sierra Leone

The correct answer is option [C]

65. OPEC was inaugurated in _______.

A. Kuwait city, Kuwait

B. Tehran, Iran

C. Baghdad, Iraq

D. Riyadh, Saudi Arabia

The correct answer is option [C]

66. When was African Development Bank (ADB) established?

A. 1964

B. 1963

C. 1962

D. 1961

The correct answer is option [A]

TOPIC: INTERNATIONAL TRADE AND BALANCE OF PAYMENTS

DIRECTION: Choose the correct answer from the lettered options.

1. A nation's net export is negative when the value of her ____.

A. stock of goods is declining

B. exports exceeds the value of her imports

C. exports are adjusted upwards

D. imports exceeds the value of her exports

The correct answer is option [D].

2. When a country's exports faces a monopsonist, the terms of trade _____.

A. are likely to be unfavourable

B. will certainly be favourable

C. cannot be determined

D. will be stagnant

The correct answer is option [A]

3. The index of terms of trade is given by ______.

A. price index of imports / price index of exports

B. volume index of imports (by weight) / volume index of exports (by weight)

C. total export revenue / total import cost

D. price index of exports / price index of imports

The correct answer is option [D]

4. Which of the following is NOT an argument for protectionism?

A. To protect infant industries.

B. To increase the level of imports.

C. To protect strategic industries.

D. To improve the balance of payment.

The correct answer is option [B]

5. Which of the following is an example of foreign direct investment?

A. Honda (a Japanese company) builds an assembly plant in Lagos, Nigeria.

B. Ala, a U.S. citizen, buys shares of stock in a Nigerian firm through the Nigerian stock exchange.

C. The merger of Standard Trust Bank(STB) and United Bank For Africa (UBA).

D. The purchase of U.S. government bonds by a citizen of Ghana.

The correct answer is option [A]

6. Special Drawing Rights (SDRs) refers to the _____.

A. international reserve asset created by the IMF

B. monetary unit used to supplement the official reserves of the member countries of the IMF

C. international reserve asset created to support the Bretton Woods' fixed exchange rate system

D. potential claims on the currencies of the IMF members

E. all of the above

The correct answer is option [E].

7. Which of the following is a major function of the foreign exchange market?

A. Creating a network of phone and cable lines.

B. Creating many brokers and intermediaries.

C. Ensuring the survival of central banks.

D. Hedging.

E. Connecting people.

The correct answer is option [D]

In finance, a hedge is an investment that is taken out specifically to reduce or cancel out the risk in another investment. Hedging is a strategy designed to minimise exposure to an unwanted business risk, while still allowing the business to profit from an investment activity.

8. In a floating exchange rate system ______.

A. the government intervenes to influence the exchange rate

B. the exchange rate responds to demand and supply forces

C. all financial institutions fix their rates

D. the price of one currency must be equal to the price of another currency

The correct answer is option [B]

9. The theory of comparative cost assumes all of the following, except _____.

A. the existence of two countries only

B. perfect competition between countries

C. no transportation cost incurred

D. demand for goods and services is reciprocal

E. none of the above

The correct answer is option [E]

10. Terms of trade means the _____.

A. exchange rate between exports and imports

B. increase in the percentage of import relative to exports

C. rise in the price of exports

D. the difference between the value of exports and imports

The correct answer is option [A]

11. Devaluation does NOT have the effect of _____.

A. increasing the price of imports relative to exports

B. increasing the price of exports relative to imports

C. reducing imports ultimately

D. mitigating a balace of payments deficit in the long run

E. all of the above

The correct answer is option [B]

12. A flexible exchange rate system is characterised by all of the following, except _____.

A. incidents of currency appreciation

B. cases of currency depreciation

C. government intervention to 'peg' exchange rates

D. all of the above

E. none of the above

The correct answer is option [C]

13. The primary objective of establishing the export processing zone is to _____.

A. facilitate agricultural production

B. encourage the production and processing of export commodities

C. erect structures that will facilitate the processing of imported raw materials

D. facilitate large scale production of goods

E. increase excise duties in order to generate more revenue for the country

The correct answer is option [B].

14. An appreciation of a currency occurs if _____

A. domestic interest rates fall

B. there is an increase in the demand for imports relative to export

C. there is an increase in the value of a currency relative to another currency

D. there is a decrease in the value of a currency relative to another currency

The correct answer is option [C]

15. Which of the following group of accounts makes up the balance of payments?

A. The current account; multiply account and capital account.

B. Monetary movement account; company account and international account.

C. Cash account; double entry account and current account.

D. Capital account; current account and monetary movement account.

The correct answer is option [D]

16. The balance of payments of a country explains the overall position of the _____.

A. current account of the balance of payments

B. capital account of the balance of payments

C. visible and invisible accounts

D. current and capital accounts

The correct answer is option [D].

17. Deficit in the balance of payments is financed through ______.

A. capital account

B. current account

C. invisible trade

D. deficit account

The correct answer is option [A].

18. A depreciation of a currency occurs when _____.

A. the value of the currency falls with respect to another currency

B. the value of the currency increases with respect to another currency

C. there is an increase in demand for exports in respect to imports

D. the balance of payment improves

The correct answer is option [A]

19. Which of the option is NOT a basis for international trade?

A. Availability of adequate market

B. Human capabilities

C. Level of industrial development

D. Per capita income

The correct answer is option [D]

20. A record that shows the relationship between one country's total payments to all other countries and its total receipts from them is called ________.

A. balance of payment

B. balance of trade

C. capital account

D. terms of trade

The correct answer is option [A]

21. Terms of trade is measured by ____.

A. (price index of imports)/(price index of exports)x 100

B. (price index of exports)/(price index of imports) x 100

C. (value of imports)/(value of exports) x 100

D. (value of exports)/(value of imports)x 100

E. None of the above

The correct answer is option [B].

22. Free trade is based on the principle of ______.

A. comparative advantage

B. comparative scale

C. economies of scale

D. production possibility curve

The correct answer is option [A]

23. If there is a balance of payment deficit in a floating exchange rate system; ________.

A. the external value of the currency will tend to fall

B. the external value of the currency will tend to rise

C. injections from trade will be greater than withdrawals

D. aggregate demand is decreasing

The correct answer is option [A]

24. A country is said to have a favourable current account balance when the money she receives from both visible and invisible exports _____.

A. equals the amount she pays for both visible and invisible imports

B. is less than the amount she pays for both visible and invisible imports

C. exceeds the amount she pays for both her visible and invisible imports

D. exceeds the amount she pays under capital accounts

The correct answer is option [C].

25. If consumers in Nigeria favour imports over domestically produced goods, the international value of the Nigerian naira and Nigerian exports will most likely change in which of the following ways?

A. The international value of the Naira will appreciate and export will increase

B. The international value of the Naira will appreciate and export will decrease

C. The international value of the Naira will depreciate and export will increase

D. The international value of the Naira will depreciate and export will decrease

The correct answer is option [C]

26. A country's balance of payments is in deficit when ______.

A. a country's payments for imports of invisible goods are greater than her receipts from exports of invisible goods

B. the total receipts from her export of visible and invisible goods are greater than her payments for visible and invisible imports

C. it can record a surplus on current account for her balance of payments accounts

D. the total payments for visible and invisible imports are greater than the total receipts from her exports of visible and invisible goods

The correct answer is option [D]

27. If the value of the Naira in other currencies rises, the ______.

A. spending on Nigerian exports in naira must rise

B. spending on Nigerian exports in foreign currency will rise if demand is price elastic

C. demand for Nigerian exports will rise

D. spending on Nigerian exports in foreign currency will fall if demand for Nigerian exports is price elastic

The correct answer is option [A]

28. A country's balance of payment account consist of _____ account.

A. current

B. current and capital

C. fixed deposit

D. savings

The correct answer is option [B]

29. Tariffs _____.

A. decreases the domestic price of a product

B. increases governments earnings from tax

C. increases the quantity of imports

D. decreases domestic production

The correct answer is option [B]

30. Which of the following is NOT a demerit of international trade?

A. It can lead to capital flight.

B. It increases the risk of unemployment.

C. It leads to unfavourable terms of trade against developing countries.

D. It can bring about a reduction in capital formation.

E. It creates a good monetisation effect on the economy.

The correct answer is option [E]

31. Which of the following items in the balance of payments accounts is an invisible transaction?

A. Import of cars.

B. Export of cocoa.

C. Export of crude petroleum.

D. Earnings from tourism.

The correct answer is option [D].

32. When the opportunity cost ratios for two countries differ, a basis for mutually beneficial international trade exists. This situation describes the principle of _____.

A. comparative advantage

B. absolute advantage

C. economic growth

D. equilibrium

The correct answer is option [A]

33. A fall in the value of the Naira is likely to decrease spending on imports if ______.

A. the price elasticity of demand for imports is price elastic

B. the price elasticity of demand for imports is price inelastic

C. the price elasticity of demand for imports has a unit price elasticity

D. the price elasticity of demand for exports is price elastic

The correct answer is option [B]

34. Which of these was an achievement of the New International Economic Order (NIEO)?

A. The creation of the defunct East African Community (EAC).

B. The creation of the ECOWAS.

C. The creation of the International Commodity Agreement (ICA).

D. The creation of the IMF.

E. The creation of the East African Community (EAS).

The correct answer is option [C]

35. The theory of comparative cost advantage is associated with _______.

A. Alfred Marshal

B. Rosa Luxembourg

C. David Ricardo

D. J. B. Say

The correct answer is option [C]

36. International trade arises because ______.

A. all the countries in the world are one hundred percent self satisfactory in the production of their needs

B. the world is technologically advancing

C. a country may have maximum comparative advantage in the production of a commodity over another

D. resources are evenly distributed in the world and needs are unlimited

The correct answer is option [C]

37. Which of the following statements is true about a balance of payments surplus?

A. It increases the net flow of resources from abroad.

B. It quickens economic activities at home.

C. It can generate inflationary tendencies.

D. It will bring about debt retirement.

E. All of the above.

The correct answer is option [E]

38. Terms of trade measure the _______.

A. income of one country relative to another

B. Gross Domestic Product (GDP) of one country relative to another

C. rates at which exports exchange for imports

D. export prices compared to import prices

The correct answer is option [C]

39. To prevent the external value of the currency from falling, the government might ________.

A. reduce interest rates

B. sell its own currency at lower rates

C. buy its own currency with foreign reserves

D. increase its spending

The correct answer is option [C]

40. International trade is based on the law of _____.

A. absolute cost advantage

B. variable proportion

C. comparative cost advantage

D. marginal rate of transformation

The correct answer is option [C].

The law of comparative cost advantage states that, it pays a country to specialise in the production of commodities in which its cost of production is least compared with other countries.

41. The statistical summary of all economic transactions that took place between the residents of a country and the rest of the world in an accounting period is known as _____.

A. international trade

B. external trade

C. balance of payments

D. balance of trade

E. terms of trade

The correct answer is option [C]

Visible trade is the value of all tangible goods bought and sold across borders in that period.

Invisible trade is the value of all intangible goods, usually classed as services, bought and sold in that given period.

Balance of trade is the relationship between the values of the exports and imports of a country.

Terms of trade is the rate at which exports exchange for imports. It is measured as the index of export prices to the index of import prices.

42. A fall in the external value of a currency may _____.

A. cause an outward shift in the demand for the currency

B. cause an inward shift in the supply for the currency

C. lead to a movement along the demand curve for a currency

D. be due to an increase in demand for the country's export

The correct answer is option [B]

43. If the exchange rate is above the equilibrium level, there will be ____

A. excess demand and the exchange rate will fall

B. excess supply and the exchange rate will fall

C. excess demand and the exchange rate will rise

D. excess supply and the exchange rate will rise

The correct answer is option [B]

44. Balance of payment deficit implies that a country is ______.

A. importing more than she is exporting

B. consuming less than she is producing

C. living below her means

D. exporting more than she is importing

The correct answer is option [A].

If imports > exports = deficit

imports < exports = surplus

imports = exports = balanced

45. If the value of the naira in other currencies is strong ______.

A. the price of Nigerian products abroad in foreign currency will fall

B. the price of Nigerian products abroad in foreign currency will rise

C. the price of Nigerian products in Nigeria will rise

D. the price of Nigerian products in Nigeria will fall

The correct answer is option [B]

46. Dumping means the selling of a good in a foreign market at a price that is ______.

A. below the home market price

B. above the home market price

C. equal to the home market price

D. able to clear the home market

The correct answer is option [A]

47. Which of the following is NOT contained in the balance of payments?

A. A record of domestically raised debentures.

B. The balance of trade.

C. Short-term capital movements between countries.

D. Unilateral transfers.

E. Long term capitals.

The correct answer is option [A]

48. A country that can produce more of a good or service than another country with the same amount of inputs is said to have a/an ______.

A. comparative advantage

B. output advantage

C. production advantage

D. absolute advantage

The correct answer is option [D]

49. A country that can produce more of a good or service than another country with the same amount of inputs is said to have a/an ______.

A. comparative advantage

B. output advantage

C. production advantage

D. absolute advantage

The correct answer is option [D]

50. Balance of trade can be defined as _____.

A. the value of a country's imports in relations to the value of its export

B. the price ratio of imports as against that of exports

C. equality in the total receipts and payment of a country in a year

D. percentage value of imports over percentage value of exports

E. prices of export versus prices of import

The correct answer is option [A].

Balance of trade defines the Net Export ; Xo = X - M

Where

Xo = Net Export

X = Export

M = Import.

51. If the exchange rate is below the equilibrium level, there will be ______.

A. excess demand and the exchange rate will fall

B. excess supply and the exchange rate will fall

C. excess demand and the exchange rate will rise

D. excess supply and the exchange rate will rise

The correct answer is option [C]

52. Which of the following is not a type of economic integration?

A. Customs market

B. Common market

C. Economic union

D. Free trade area

The correct answer is option [A]

53. Devaluation of currency in a country is likely to lead to _____.

A. increased population

B. increased imports

C. exports becoming cheaper

D. reduced exports

The correct answer is option [C].

When you devaluate a country's currency, it reduces the value or purchasing power of the money thereby making that country's export cheaper, this will encourage foreign countries to buy from that country.

TOPIC: MARKET STRUCTURE AND REVENUE CONCEPTS

DIRECTION: Choose the correct answer from the lettered options.

1. In monopoly in long run equilibrium:

A. the firm is productively efficient

B. the firm is allocatively inefficient

C. the firm produces where Marginal cost is less than Marginal Revenue

D. the firm produces at the social optimal level

The correct answer is option [B]

2. In a free market, the combination of products will be determined by _____

A. market forces of demand and supply

B. the government

C. the law

D. the public sector

The correct answer is option [A]

3. In the long run in perfect competition ______

A. the price equals the Total Revenue

B. firms are allocatively inefficient

C. firms are productively efficient

D. the price equals Total Cost

The correct answer is option [C]

4. Firms in oligopoly are likely to:

A. invest heavily in branding

B. act independently of other firms

C. try to differentiate its product

D. try to be a price maker

The correct answer is option [A]

5. Total revenue is always equal to _____.

A. Marginal Revenue multiplied by Quantity Sold

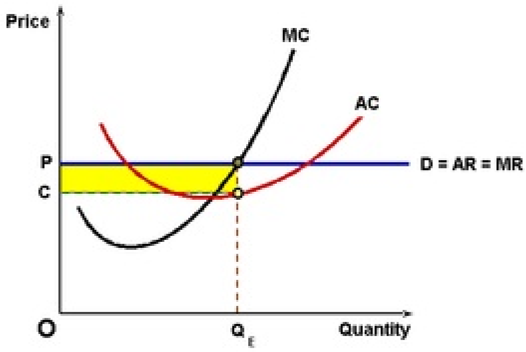
B. Average Revenue plus Marginal Revenue

C. Marginal Revenue multiplied by Marginal Cost

D. Average Revenue multiplied by Quantity Sold

The correct answer is option [D].

6. Under a perfect competitive market, the shaded portion in the diagram indicates that the firm is experiencing _____.



A. a declining stage

B. abnormal loss

C. abnormal profit

D. normal loss

The correct answer is option [C]

7. The long-run is a period during which _____.

A. a firm can vary all its factors

B. a firm ceases to be an infant industry

C. at least one factor is fixed in supply

D. long term loans are repayable

The correct answer is option [A]

8. Which of the following is true for a perfect competitor?

A. Price = AR, but AR < MR

B. Price = AR = MR

C. Price = MR, but MR < AR

D. Price = MC, but AR > MR

The correct answer is option [B]

9. A profit maximising firm in a perfect competition produces where ______.

A. total revenue is maximised

B. Marginal Revenue equals zero

C. Marginal Revenue equals Marginal Cost

D. Margianl Revenue equals Average Cost

The correct answer is option [C]

When Marginal Revenue equals margianal Cost, no extra profit can be made

10. For a monopolist, the demand curve is ____.

A. downward sloping

B. perfectly elastic

C. perfectly inelastic

D. upward sloping

The correct answer is option [A]

11. Firms in perfect competition face a ______.

A. perfectly elastic demand curve

B. perfectly inelastic demand curve

C. perfectly elastic supply curve

D. perfectly inelastic supply curve

The correct answer is option [A]

12. In monopolistic competition, firms maximise profit where _____

A. Marginal Revenue = Average Revenue

B. Marginal Revenue = Marginal Cost

C. Marginal Revenue = Average Cost

D. Marginal Revenue = Total Cost

The correct answer is option [B]

13. Which of the following is NOT a feature of a perfect market?

A. Large number of buyers and sellers.

B. Homogeneity of product.

C. Preferential treatment.

D. Absence of transportation cost.

E. Perfect knowledge of market situation.

The correct answer is option [C].

In a perfectly competitive market, there is no preferential treatment.

14. An imperfect market in which there is only one buyer of a commodity is ______.

A. a monopsony

B. an oligopoly

C. a monopoly

D. a duopoly

The correct answer is option [A].

15. Which of the following statements in true of oligopoly?

A. It does not include cases of duopoly.

B. It features many firms with equal market control.

C. It is characterised by competition through product differentiation.

D. It does not exist in reality.

E. It features only one producer or seller of a commodity.

The correct answer is option [B]

16. Which of the following is obtainable in a perfect market?

A. P = MR > AR

B. MP = MC > P

C. MR < P

D. P = MR = MC

The correct answer is option [D].

17. A market where there are many differentiated products is called _____.

A. a monopoly

B. a perfect competition

C. a monopolistic competition

D. an oligopoly

The correct answer is option [C].

18. In the long run in perfect competition _______.

A. Price = Average Cost = Marginal Cost

B. Price = Average Cost = Total Cost

C. Price = Marginal Revenue = Total Cost

D. Total Revenue = Total Variable Cost

The correct answer is option [A]

19. In monopoly when abnormal profits are made:

A. the price is less than the Marginal Cost

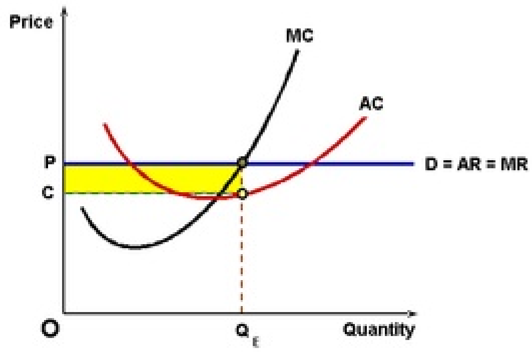
B. the price is less than the Average Cost

C. the Average revenue = Marginal Cost

D. revenue equals Total Cost

The correct answer is option [A]

20. The shaded part in the diagram indicates ______



A. abnormal profit

B. cost of production

C. net profit

D. normal profit

The correct answer is option [A]

21. Which of the following is NOT a cause of monopoly?

A. Government decision

B. Involuntary gang up

C. Legal creation

D. Patent right

The correct answer is option [B]

22. In a free market ______.

A. government intervenes

B. government plan production

C. government interfere

D. prices adjust to reconcile scarcity and desires

The correct answer is option [D]

23. The diagram represents ______

A. the short run supernormal profit in perfect competiton

B. price and quantity determination under a monopoly

C. the long run normal profit in perfect competition

D. price and quantity determination under oligopoly

The correct answer is option [C].

24. In perfect competition ______.

A. short run abnormal profits are competed away by firms leaving the industry

B. short run abnormal profits are competed away by firms entering the industry

C. short run abnormal profits are competed away by greater advertising

D. short run abnormal profits are competed away by the government

The correct answer is option [B]

25. The distinguishing characteristic between the money market and the capital market lies in whether the _____.

A. securities are primary or secondary

B. debt instruments provided are long-term or short-term

C. funds mobilized are private or public

D. securities are in debentures or ordinary shares

The correct answer is option [B].

26. What is an oligopoly?

A. It is a market structure in which the supply of a commodity is concentrated in the hands of a single firm.

B. It is a market structure in which the supply of a commodity is concentrated in the hands of a few firms.

C. It is a market structure in which there is perfect competition.

D. It is a market structure in which different prices are slated for one commodity.

E. None of the above.

The correct answer is option [B]

27. If a monopolist is attempting to maximize profit, which of the following should he attempt to do?

A. Equate average cost to average revenue.

B. Equate marginal cost to marginal revenue.

C. Equate marginal cost to average revenue.

D. Fix price and output.

The correct answer is option [B].

He should equate Marginal Cost (MC) = Marginal Revenue (MR) because a monopolist maximizes his profit at the point where MR and MC intersects.

28. A market can accurately be described as _______.

A. a place to buy things

B. a place to sell things

C. the process by which price adjust to reconcile the allocation of resources

D. a place where buyers and sellers meet

The correct answer is option [C]

29. Barriers in a monopoly do NOT include ______

A. patent

B. internal economies of scale

C. mobility of resources

D. high investment costs

The correct answer is option [C]

30. Barriers to entry _____.

A. enables abnormal profit to be made in the long run

B. enables loses to be made in the long run

C. enables abnormal profit to be made in the short run only

D. occur in perfect competition

The correct answer is option [A]

31. Which of the following is NOT a type of revenue?

A. Marginal revenue

B. Average revenue

C. Total revenue

D. Fixed revenue

The correct answer is option [D]

32. In monopolistic competition, if other firms are making abnormal profit, other firms will enter and ____

A. the Marginal Cost will shift outwards

B. the demand curve will shift inwards

C. the Average Cost will shift downwards

D. the Average Variable Cost will increase

The correct answer is option [B]

33. The assumption of profit maximization implies that profit _____.

A. is the most important consideration of the firm

B. is the least consideration of the firm

C. assumes an insatiable proportion in the instruct of management

D. is made in order to break-even

E. None of the above

The correct answer is option [A].

34. In perfect competition ______.

A. the price equals the Marginal Revenue

B. the price equals the average Variable Cost

C. the fixed cost equals the Variable Cost

D. the price equals the Total Cost

the correct answer is option [A]

35. In perfect competition ______.

A. a few firms dominate the industry

B. firms are price makers

C. there are many buyers but few sellers

D. there are many buyers and sellers

The correct answer is option [D]

36. In the short run, firms in perfect competition will still produce provided ______.

A. the price covers Average Variable Cost

B. the price covers Variable Cost

C. the price covers Average Fixed Cost

D. the price covers Fixed Cost

The correct answer is option [A]

37. For a perfectly competitively firm ______.

A. Price = Marginal Revenue

B. Price is greater than Marginal Revenue

C. Price = Total Revenue

D. Price = Total Cost

The correct answer is option [A]

38. Increased output will cause farmers' revenue to decrease when market demand is ____.

A. elastic

B. inelastic

C. unitary elastic

D. perfectly elastic

The correct answer is option [B].

Since the increase in output is not followed by a corresponding increase in quantity demanded, price would fall and revenue will be lost.

39. Monopoly power is derived from all of the following, except ______.

A. competition

B. licenses

C. patents

D. cartels

The correct answer is option [A].

A monopolist needs a license to operate. He has patent rights as sole producer or owner. A cartel is a conglomeration of producers of a commodity acting as a monopoly (e.g.. OPEC).

40. Barriers to entry ______.

A. does not exist in monopoly

B. cannot exist in oligopoly

C. does not exist in oligopolistic competition

D. does not exist in perfect competition

The correct answer is option [D]

41. The market type in which producers are price takers is called _____.

A. perfect market

B. an oligopoly

C. a monopoly

D. a monopsony

The correct answer is option [A].

In a perfect market, the producers are price takers because prices of commodities are fixed. In a monopoly, the monopolist is a sole producer and thus influences the price of the commodity to suit him or adjusts the quantity.

42. If a few firms dominate an industry, the market is known as ______

A. Monopolistic competition

B. Competitively monopolistic

C. Duopoly

D. Oligopoly

The correct answer is option [D]

43. In a monopoly, which of the following is NOT true?

A. Products are differentiated

B. There is freedom of entry and exit into the industry in the long run

C. The firm is a price taker

D. There is one main seller

The correct answer is option [B]

44. Which of the following is true about monopoly?

A. There are many buyers and sellers

B. There is one main buyer

C. There is one main seller

D. The actions of one firm do not affect the market price and quantity

The correct answer is option [C]

45. In a cartel, member firms can be given a fixed amount to produce. This is called a ___

A. limit

B. factor

C. quota

D. quotient

The correct answer is option [C]

46. In monopolist competition _______.

A. there are few sellers

B. there are few buyers

C. there is one seller

D. there are many sellers

The correct answer is option [D]

47. To maximise sales revenue, a firm should produce where ______.

A. Marginal Cost equals 0

B. Marginal Revenue equals 1

C. Total Cost = Price

D. Marginal Revenue = Total Revenue

The correct answer is option [A]

48. Abnormal profits are _____.

A. experienced under monopoly

B. reaped under perfect competition in the short run only

C. experienced under oligopoly

D. all of the above

The correct answer is option [D]

49. Which of the following is true of a monopolistic competition?

A. It has features of a monopoly, but not a perfect competition.

B. It has features of a perfect competition, but not a monopoly.

C. It is characterised by long run abnormal profits.

D. It has features of both a monopoly and a perfect competition.

E. It has a demand curve that is downward sloping.

The correct answer is option [D]

50. An imperfect market is characterised by ___.

A. perfect mobility of factors of production

B. many buyers and few sellers

C. a large number of buyers and sellers

D. non-preferential treatment

The correct answer is option [B].

51. The biggest positive difference between Total Revenue and Total Cost is where _____

A. Total Revenue equals Total Cost

B. Marginal Revenue = Marginal Cost

C. Total Revenue = Total Cost

D. Profits = 0

The correct answer is option [B]

52. Which of the following is compatible with a firm in a perfect competition?

A. Demand is perfectly elastic.

B. Demand is infinitely inelastic.

C. Marginal cost is falling.

D. Price is greater than marginal cost.

E. All of the above.

The correct answer is option [A].

In perfect competition, all suppliers are price takers, the market price is fixed by the forces of demand and supply and no individual seller can influence the price. Therefore, in perfect competition, Price = Average revenue = Marginal revenue. That is why the individual producer in a perfect competition faces perfectly elastic demand.

TOPIC: PETROLEUM AND THE NIGERIAN ECONOMY

DIRECTION: Choose the correct answer from the lettered options.

1. The petro-chemical industries in Nigeria are located in Rivers State due to _____.

A. favourable climate

B. favourable soil

C. availability of oil deposits

D. surplus palm oil products

E. availability of coal deposits

The correct answer is option [C].

2. Who discovered Nigeria's first commercial oil well?

A. Mobil

B. Gulf

C. Shell - Bp

D. Texaco

The correct answer is option [C]

3. Which of the following is NOT a role of NNPC in the petroleum industry?

A. Increase in external trade

B. Increase in government revenue

C. Increase in foreign exchange reserves

D. Greater unemployment rate

The correct answer is option [D]

4. The first place that petroleum was produced in large quantity was in _______.

A. Britain

B. America

C. Iran

D. Iraq

The correct answer is option [B]

5. Where was Nigeria's first oil well?

A. Erema

B. Akabuka

C. Oloibiri

D. Obagi

The correct answer is [C]

6. Which of these statements is NOT true about Nigeria's petroleum history in 1971?

A. The Nigerian National Oil Corporation (NNOC) was created.

B. Nigeria joined OPEC.

C. The Petroleum Energy Ministry was created.

D. The federal government acquired majority interests in all foreign oil companies.

E. None of the above.

The correct answer is option [C]

7. Which of the following is a statutory function of the Nigerian National Petroleum Corporation (NNPC)?

A. Oil exploration.

B. Transportation of petroleum products.

C. Marketing and refining of petroleum products .

D. Oil policy implementation.

E. All of the above.

The correct answer is option [E]

8. The five founding members of OPEC are _____.

A. Iraq, Iran, Kuwait, Saudi Arabia, and Venezuela

B. Iraq, Iran, Nigeria, Saudi Arabia, and Gabon

C. Iraq, Iran, Algeria, Libya, and Saudi Arabia

D. Iran, Iraq, Algeria, Nigeria, and Saudi Arabia

E. Iran, Nigeria, Saudi Arabia, Ghana, and South Africa

The correct answer is option [A]

9. In what year did the Nigerian National Oil Corporation (NNOC) become Nigerian National Petroleum Corporation?

A. 1971

B. 1973

C. 1975

D. 1977

The correct answer is option [D]

10. The most important contribution of the petroleum industry to the overall economic development of Nigeria is in the area of _______.

A. employment generation

B. energy supply

C. foreign exchange earnings

D. infrastructural development

The correct answer is option [C]

11. The gold standard was essentially _____.

A. a fixed exchange rate system

B. a floating exchange rate system

C. a managed floating exchange rate system

D. an intermediate exchange system

The correct answer is option [A]

12. The Kaduna refinery was established in the year _____.

A. 1978

B. 1980

C. 1988

D. 1990

The correct answer is option [B]

13. The Nigerian National Oil Corporation was created in ______.

A. 1969

B. 1971

C. 1973

D. 1975

The correct answer is option [B] 14

14. Petroleum exploration involves _______.

A. the transportation of petroleum

B. the refining

C. the search for petroleum

D. the production of petroleum

The correct answer is option [C]

15. Petroleum was produced in large quantity for the first time in the _______.

A. 1810s

B. 1830s

C. 1850s

D. 1870s

The correct answer is option [C]

16. Oil exploration in Nigeria dates back to _____

A. 1958

B. 1946

C. 1937

D. 1908

The correct answer is option [D]

Oil exploration in Nigeria dates back to 1908 with the discovery of oil on Araromi in the present Ondo state.

17. Petroleum has made the following positive contributions to the Nigerian economy, except _____.

A. increase in external trade

B. greater redeployment oppurtunities

C. increase in government revenue

D. greater capital formation

The correct answer is option [B].

A wasting asset is a fixed asset, such as a mine or an oil well, that diminishes in value over time.

18. The Port Harcourt refinery was established in the year _____.

A. 1960

B. 1965

C. 1968

D. 1969

The correct answer is option [B]

19. When was the first offshore oil struck in Nigeria?

A. 1961

B. 1962

C. 1963

D. 1964

The correct answer is option [D]

20. The Warri refinery was established in the year _____.

A. 1965

B. 1970

C. 1978

D. 1989

The correct answer is option [C]

21. In what century was petroleum first produced in large quantities?

A. 19th

B. 18th

C. 17th

D. 16th

The correct answer is option [A]

In the 19th century in the United States of America, petroleum was produced on a large scale. Precisely in the 1850s.

22. As an international cartel, the OPEC influences world oil price by ______.

A. allowing each member country to export as much oil as it can

B. allowing each member country to fix its own price

C. building refineries in all member countries

D. controlling the amount of oil supplied by each member country

The correct answer is option [D]

23. The first commercial oil well in Nigeria was discovered in _____.

A. 1938

B. 1951

C. 1956

D. 1958

E. 1960

The correct answer is option [C]

24. The first export shipment of oil from Nigeria was in ________.

A. 1958

B. 1956

C. 1954

D. 1952

The correct answer is option [A]

25. When was the first barrel of oil produced in Nigeria?

A. 1953

B. 1955

C. 1957

D. 1959

The correct answer is option [C]

26. Petroleum is an example of ______.

A. human capital

B. technology

C. physical capital

D. a non-renewable resource

E. mental capital

The correct answer is option [D]

27. In order to stabilise oil price in the world market, there is the need for OPEC members to ______.

A. always have budget deficit

B. encourage competition among themselves

C. adhere to production quotas

D. fix the price of non-oil products

The correct answer is option [C]

28. What was the weight of the first shipment from Nigeria?

A. 220 tons

B. 245 tons

C. 270 tons

D. 300 tons

The correct answer is option [B]

29. The leading producer of petroleum in the 1960s was _______.

A. Venezuela

B. Saudi Arabia

C. Kuwait

D. America

The correct answer is option [D]

30. Which company first struck offshore oil in Nigeria?

A. Gulf oil company

B. Shell Bp

C. Agip oil company

D. Nigerian National Oil Company (NNOC)

The correct answer is option [A]

31. Which of the following is NOT formed from petroleum?

A. Petrol

B. Diesel

C. Motor oil

D. Hydrocarbons

The correct answer is option [D]

TOPIC: THEORY OF DEMAND, SUPPLY AND PRICE DETERMINATION

DIRECTION: Choose the correct answer from the lettered options.

1. Which of the following is an important function of prices in a market economy?

A. Ensuring that resources are used in the most efficient manner.

B. Ensuring an equitable distribution of goods and/or services.

C. Ensuring that all industries are perfectly competitive in the long run.

D. Equating level of purchases with level of needs.

E. None of the above.

The correct answer is option [D].

2. The price system is _____.

A. a market where there are multiple price mechanisms

B. a market where a single price rules

C. a system where prices are allocated by the government

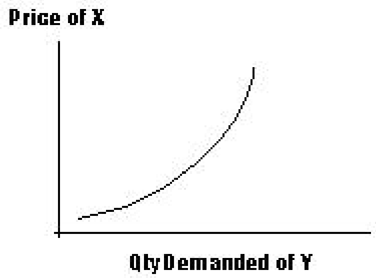
D. a system of price allocation through the interplay of supply and demand

E. the price of goods and services in the market place

The correct answer is option [D].

The price system is determined by the interplay of demand and supply.

3. If the curve shows the relationship between the price of commodity X and the quantity demanded of commodity Y, then X and Y are _____ goods.



A. complementary

B. substitute

C. inferior

D. luxury

E. substandard

The correct answer is option [B].

Since substitute goods can satisfy the same want, an increase in the price of one would make the consumers demand more of the other which has become relatively cheaper.

4. The cross elasticity of demand when an increase in the price of oranges from N0.50 to N0.75 results in an increase in the quantity demanded of ice cream from 100 to 300 is ____.

A. 2

B. 4

C. 5

D. 6

E. 1

The correct answer is option [B].

using;

P0= 0.50

Q0=100

P1=0.75

Q1=300

Elasticity = [(Q1-Q0)/Q0] / [(P1-P0)/P0]

5. If a 4% increase in price leads to a 8% increase in the quantity supplied: ______.

A. supply is price elastic

B. supply is income elastic

C. price elasticity of demand is -2

D. supply is price inelastic

The correct answer is option [A]

This means, the quantity supplied changes twice as much as price.

6. If as a result of a fall in the price of commodity X, the quantity demanded of commodity Y increases, the commodities X and Y are _____

A. complementary

B. in joint demand

C. luxuries

D. in composite demand

E. substitutes

The correct answer is option [A].

A complement or complementary good is defined in economics as a good that should be consumed with another good; its cross elasticity of demand is negative. This means that, if goods A and B are complements, more of good A being bought would result in more of good B also being bought. Examples of complementary goods are kerosene stove and kerosene, gas cooker and gas cylinder, car and fuel, generator and diesel etc. If the price of kerosene falls, more kerosene stove would be sold because the two are used together.

7. Goods whose demand varies inversely with change in income is known as ______.

A. consumer goods

B. inferior goods

C. ostentatious goods

D. producer goods

The correct answer is option [B]

8. The process of selling a particular commodity at different prices is called _____.

A. price control

B. price discrimination

C. price haggling

D. price hike

The correct answer is option [B]

9. Which of the following happens in a severely declining economy?

A. Supply of funds rises and interest rates rise.

B. Supply of funds falls and interest rates rise.

C. Demand for funds falls and interest rates fall.

D. Demand for funds rises and interest rates rise.

The correct answer is option [D]

10. When the price of commodity A increases and the demand for B falls, A and B are said to be _____ goods.

A. substitute

B. complementary

C. supplementary

D. giffen

The correct answer is option [B].

Complementary goods are goods that are used jointly, an increase in the price of one would cause a fall in the quantity demanded of the other commodity.

11. The effects on the demand for product A caused by a change in the price of product B is called _____.

A. cross elasticity of demand

B. price elasticity of demand

C. complementary demand

D. composite demand

The correct answer is option [A]

Elasticity of supply is the responsiveness of quantity supplied to changes in price.

Competitive demand is the demand for two goods in such a way that an increase in the demand for one causes a decrease in the demand for the other on account of the the fact that both goods are used to satisfy the same want i.e. they are substitute goods. For example, Milo and Bournvita, Omo and elephant etc

Composite demand is the sum total of the various demands for a commodity as a result of the different uses to which it can be put. For example, Timber is a composite good because it can be used for making furniture, building etc.

Joint or complementary demand is the demand for two goods which occurs because the effective use of one to satisfy a want necessarily requires the use of the other also. For example, stove and kerosene, generator and diesel or fuel etc.

12. If the coefficient of price elasticity of supply is 1.5, then the supply is _____.

A. perfectly inelastic

B. inelastic

C. infinitely elastic

D. elastic

The correct answer is option [D].

When the elasticity coefficient is greater than one, but less than infinity, the supply is elastic. When the coefficient is equal to one, the supply is unity; and when it is greater than zero, but less than one, the supply is inelastic.

13. If price decreases from N2,000 to N1,800, quantity demanded per year increases from 5000 to 6000 units. Which of the following is correct?

A. The price elasticity of demand is -2

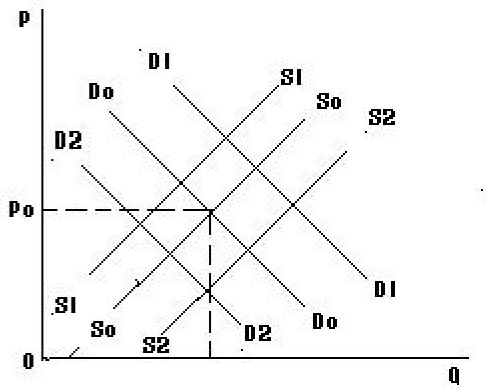
B. The good is inferior

C. Income elasticity is +0.5

D. Income elasticity is +2

The correct answer is option [A]

14. Suppose that the equilibrium price of an article is ₦5, but the government fixes the price by law at ₦4. The supply will be _____.



A. the same as the equilibrium supply

B. greater than the equilibrium supply

C. less than the equilibrium supply

D. determined later by the government

The correct answer is option [C]

By the law of supply, a fall in price would lead to a fall in quantity supplied others are incorrect and not applicable in real economic settings.

15. When a market is in equilibrium, ______.

A. quantity demanded equals quantity supplied

B. excess demand and excess supply are zero

C. the market is cleared by the equilibrium price

D. All of the above

The correct answer is option [D]

16. Prices increases from N10 to N12 and the price elasticity of demand is -0.5. The quantity demanded was 500 units. What will it be now?

A. 550 units

B. 500 units

C. 490 units

D. 450 units

The correct answer is option [D]

If price elasticity is 0.5, this means that any given percentage fall in price leads to an increase in quantity demanded, that is, half as much; a 20% price increase will reduce the quantity demanded by 10%. This means the quantity demanded will be 450.

Elasticity = Percentage change in quantity demanded/Percentage change in price

17. Consider two goods as good substitutes for one another; an increase in the demand for one will reduce the demand for the other. This type of demand is called ____.

A. composite demand

B. complementary demand

C. derived derived

D. competitive demand

The correct answer is option [D].

18. The supply of beef and hides can be described as _____ supply.

A. supplementary

B. joint

C. composite

D. competitive

E. derived

The correct answer is option [B].

It is a joint supply because they are supplied from the same source.

19. Goods for which demand rises as income rises are ______.

A. complementary goods

B. inferior goods

C. normal goods

D. substitutes

The correct answer is option [C]

20. Middlemen should NOT be retained in the chain of distribution because they _____.

A. provide after-sales services to customers

B. do not sell essential commodities to the poor

C. cannot provide credit facilities to their customers

D. hoard goods causing scarcity of commodities

The correct answer is option [D].

21. What occurs when the price elasticity of demand for a certain commodity is less than unity?

A. An increase in price leaves the total revenue unchanged.

B. A decrease in price raises the total revenue of the supplier.

C. An increase in the price will raise total revenue.

D. A decrease in price leaves the total revenue constant.

E. Total revenue will equal total profit.

The correct answer is option [C].

Since the elasticity is less than unity, an increase in price would cause a less than proportionate decrease in quantity demanded. The price change therefore more than offsets the fall in quantity demanded.

22. A supply curve that starts at the origin has _____

A. a price elasticity of supply greater than 1

B. a price elasticity of supply less than 1

C. a price elasticity of supply equal to 1

D. infinity price elasticity of supply

The correct answer is option [C]

23. Average income increases from N20,000 per annum to N22, 000 per annum. Quantity demanded decreases from 5000 to 6000 units. Which of the following is correct?

A. Demand is price inelastic

B. The good is inferior

C. Income elasticity is -2

D. The good is a normal good

The correct answer is option [D]

% change in income = 10%,

% change in quantity demanded = 20%.

Income elasticity of demand = % change in quantity demanded ÷ % change in income.

Income elasticity = 2, then it's a normal good.

24. _____ and _____ do NOT directly affect the demand curve.

A. The price of related goods, consumer incomes

B. Consumer incomes, tastes

C. The costs of production, bank opening hours

D. The price of related goods, preferences

The correct answer is option [C]

25. When the price of commodity X increases, the demand for commodity Y decreases. This means commodities X and Y are ____.

A. close substitutes

B. complementary goods

C. giffen goods

D. luxirious goods

The correct answer is option [B]

26. Demand for a factor of production is a ______.

A. composite demand

B. joint demand

C. derived demand

D. competitive demand

The correct answer is option [C].

27. Supply is likely to be more price elastic _______.

A. in the short run rather than the long run

B. if factors of production are relatively immobile between industries

C. if there are very few producers

D. if it is easy to expand output

The correct answer is option [D]

28. If the price elasticity of demand is unit, then a fall in price: ______.

A. will reduce revenue

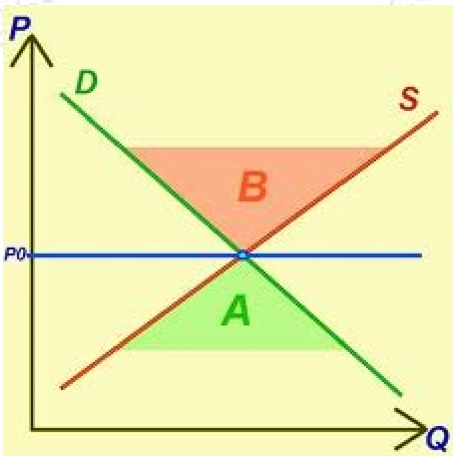
B. leaves revenue unchanged

C. increases revenue

D. reduces cost

The correct answer is option [B]

29. In the diagram, the part labelled B represents _____.



A. surplus supply

B. surplus demand

C. shortage demand

D. equilibrium point

The correct answer is option [A]

30. If a product is an inferior good: ______.

A. demand is inversely related to income

B. demand is inversely related to price

C. demand is directly related to price

D. demand is inversely related to the price of substitutes

The correct answer is option [A]

31. If 'x' exhibits a high income elasticity of demand. It is likely to be _____.

A. a luxury good

B. an inferior good

C. a normal good

D. a giffen good

The correct answer is option [A]

32. An increase in income should: ______.

A. shift demand for an inferior product outwards

B. shift demand for an inferior product inwards

C. shift supply for an inferior product outwards

D. shift supply for an inferior product inwards

The correct answer is option [B]

Consumers will buy less of an inferior good when they have more income as they switch to more luxurious products.

33. If the cross elasticity of demad is -2: _____.

A. The products are substitutes and the demand is cross price elastic

B. The products are substitutes and the demand is cross price inelastic

C. The products are complements and the demand is cross price elastic

D. The products are complements and the demand is cross price inelastic

The correct answer is option [C]

34. When elasticity is zero, the demand curve is _____.

A. perfectly elastic

B. perfectly inelastic

C. concave

D. downward sloping

The correct answer is option [B].

35. When the demand for a good is fairly inelastic, the burden of an indirect tax falls _______.

A. more on the consumers of the good

B. more on the sellers of the good

C. on sellers and consumers equally

D. completely on the capital

The correct answer is option [A]

36. The price system is _____.

A. the market price of commodities

B. a market system in which a single price rules

C. a system of price allocation to the products of the same firm

D. a system of resource allocation through supply and demand interactions

The correct answer is option [D].

A price system is characterized by the interplay of the forces of demand and supply.

37. The price of agricultural products tend to be unstable because _______.

A. supply for agricultural products are price elastic

B. demand for agricultural products are price elastic

C. supply for agricultural products are stable

D. demand and supply for agricultural products are price inelastic

The correct answer is option [D]

Supply tend to shift a lot with agricultural products and because both supply and demand are price inelastic, the effect is mainly on price.

38. At what price will a trader be ready to sell 6 oranges using the equation?

P = 1/2q + 2;

Where P is price and q is quantity?

A. ₦2.00

B. ₦3.00

C. ₦4.00

D. ₦5.00

The correct answer is option [D]

P = 1/2q + 2

q = 6

P = [1/2 x 6] + 2

P = 3 + 2 = 5

39. For two substitute goods, the cross elasticity of demand is _____.

A. greater than one, but less than two

B. zero

C. negative

D. positive

The correct answer is option [D]

40. If the price of a commodity rises from ₦2 to ₦4 and its supply increases from 100 to 125, the coefficient of supply is ____.

A. 0.025

B. 0.24

C. 0.22

D. 0.25

E. 0.23

The correct answer is option [D].

Es = dq/dp x p/q

p1 = N2

p2 = N4

dp = p4 - p2 = N2

q1 = N 100

q2 = N125,

dq = q2 - q1 = N25

Es = (25/2) x (2/100) = 0.25.

41. Which of the following factors is an important determinant of the magnitude of price elasticity of demand?

A. Period of production.

B. Cost of storage.

C. Durability of the product.

D. Availability of factors of production.

The answer is option [D].

Without raw materials to meet increasing demand, prices would have to keep rising due to a rush for the available units of that commodity.

42. If demand is price inelastic: ______.

A. an increase in price increases cost

B. an increase in price decreases revenue

C. an increase in price increases revenue

D. a decrease in price reduces sales

The correct answer is option [C]

Price inelasticity means that the percentage change in quantity demanded is less than the percentage change in price. This means, a price increase will increase revenue.

43. Which of the following is NOT true of a 'floor price'?

A. It is fixed by a minimum price legislation.

B. It is higher than the equilibrium price.

C. It has an example in minimum wages being stipulated in Nigeria.

D. It is fixed by a maximum price legislation.

The correct answer is option [D]

A price floor is a government- or group-imposed limit on how low a price can be charged for a product.

Choose the correct option.

44. If the demand of a commodity is inelastic, total revenue will fall if _____.

A. price increases

B. price decreases

C. price remains constant

D. price is not given

The correct answer is option [B].

An inelastic demand curve is indifferent to increase, therefore the same quantity would be consumed irrespective of this change. As such, the total revenue would fall as a result of the change or fall in price.

45. For an inferior good: _______.

A. the price elasticity is negative; the income elasticity is negative

B. the price elasticity is positive; the income elasticity is negative

C. the price elasticity is negative; the income elasticity is positive

D. the price elasticity is positive; the income elasticity is positive

The correct answer is option [A]

For an inferior good, demand falls as income increases; the quantity demanded falls as price increases; this means both the income elasticity of demand and price will be negative.

46. Which of the following is NOT a factor which affects demand elasticity?

A. The availability of substitutes

B. Income

C. Absolute advantage

D. Time

The correct answer is option [C]

47. If the coefficient of supply elasticity is greater than unity, supply is _____.

A. inelastic

B. perfectly elastic

C. fairly elastic

D. infinitely inelastic

The correct answer is option [C]

48. If a commodity has many substitutes, it is most likely that _____.

A. the demand curve is fairly inelastic

B. the demand curve is fairly elastic

C. the demand curve is parallel to the quantity axis

D. the demand curve is positively sloped

The correct answer is option [C]

If the commodity has many substitutes, a change in the price of the commodity would mean a change in the quantity demanded of its substitutes.

49. The price elasticity of demand is a negative number. This means that _______.

A. demand is price elastic

B. demand is price inelastic

C. the demand curve is downward sloping

D. an increase in income will reduce the quantity demanded

The correct answer is option [C]

50. A situation in which an increase in the supply of certain goods leads to a fall in the supply of other goods is known as _____.

A. competitive supply

B. derived demand

C. competitive demand

D. joint supply

The correct answer is option [A].

51. The equilibrium price clears the market; it is the price at which _______.

A. everything is sold

B. buyers spend all their money

C. suppliers supply all that they have produced

D. excess demand is zero

The correct answer is option [D]

In equilibrium, because quantity demanded equals quantity supplied, there is no excess demand, so excess demand is zero

52. For a normal good: ______.

A. the price elasticity is negative; the income elasticity is negative

B. the price elasticity is positive; the income elasticity is negative

C. the price elasticity is negative; the income elasticity is positive

D. the price elasticity is positive; the income elasticity is positive

The correct answer is option [C]

For a normal good, demand increases as income increases; the quantity demanded falls as price increases; this means price elasticity will be negative while income elasticity will be positive.

53. A commodity is said to have derived demand when it _____.

A. is demanded for alongside the demand of another commodity

B. is demanded by the rich only

C. is demanded for immediate consumption

D. is demanded because of what it can help produce, and not for itself

E. when it has a close substitute

The correct answer is option [D].

54. When the demand for a commodity is inelastic, total revenue will fall if ______.

A. price is increased

B. price is reduced

C. price is constant

D. price is not given

The correct answer is option [B]

55. If the demand for X decreases when the demand for Y increases, the demand is described as _____.

A. complementary

B. competitive

C. derived

D. composite

E. supplementary

The correct answer is option [B]

56. Price can be defined as _____.

A. a ratio of exchange

B. a medium of exchange

C. the cost of a product

D. the standard of accounting

E. the opportunity forgone

The correct answer is option [A].