

# ECONOMICS

FOR

Senior Secondary School

# 2



Supply

Demand

**Practice Questions and Answers**

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# QUESTIONS

## TOPIC: AGRICULTURE IN WEST AFRICA

***DIRECTION: Choose the correct answer from the lettered options.***

1. Which of the following is NOT an agricultural problem in Nigeria?
  - A. Peasant resistance to innovations.
  - B. Much fragmentation of land.
  - C. Lack of storage facilities.
  - D. Availability of advanced agricultural technology.
  
2. Which of the following is NOT a policy measure adopted by the government to improve productivity of agriculture in Nigeria?
  - A. Green Revolution (GR)
  - B. National Accelerated Food production project (NAFPP)
  - C. National Poverty Eradication Programme (NAPEP)
  - D. Operation Feed the Nation (OFN)
  
3. Which of the following measures will NOT improve agricultural production in West Africa?
  - A. Increased cost of inputs.
  - B. Provision of modern storage facilities.
  - C. Mechanisation of agriculture.
  - D. Effective control of pests and diseases.
  
4. The role of government in promoting agricultural development includes the following EXCEPT \_\_\_\_\_.
  - A. paying the wages of all farmers
  - B. establishing and funding research

- C. formulation of policies
- D. provision of rural infrastructure

5. The component of agriculture that has to do with the preservation and maintenance of economic trees is known as \_\_\_\_\_.

- A. crop farming
- B. fishing
- C. forestry
- D. hunting

6. The DFRRRI typifies government effort under \_\_\_\_\_.

- A. a supportive agricultural policy
- B. a supervisory agricultural policy
- C. an educational agricultural policy
- D. a punitive agricultural policy

7. Which of the following is an Agricultural Development Programme in Nigeria?

- A. Integrated Rural Development Programme
- B. National Seed Multiplication Programme
- C. New Partnership for African Development
- D. Operation Feed the Nation

8. When low agricultural output is due to drought and erosion, it is blamed on \_\_\_\_\_.

- A. lack of credit facilities
- B. inadequate marketing facilities
- C. backward agricultural technology
- D. natural disasters

9. The suggestion that peasants in Africa have backward bending demand curves of output implies that the response to an increase in the price of their crops will be to \_\_\_\_\_.

- A. increase their output
- B. decrease their output
- C. keep their output constant
- D. hoard their output

10. An agricultural policy aimed at increasing food supply and reducing real prices is called \_\_\_\_\_.

- A. remedial policy
- B. compensatory policy
- C. developmental policy
- D. demonstrative policy

11. To solve agricultural problems in West Africa, the government should avoid the \_\_\_\_\_.

- A. formation of farmer's cooperatives
- B. intensification of shifting cultivation
- C. stabilisation of agricultural prices
- D. construction of a good network of feeder roads

## TOPIC: BASIC TOOLS OF ECONOMIC ANALYSIS

**DIRECTION: Choose the correct answer from the lettered options.**

1. The standard deviation of an ungrouped data is calculated by using the formula.

A.  $\sqrt{\sum(x - \bar{x})^2 / n}$

B.  $\sum f(d) / \sum f$

C.  $\sum(x - \bar{x})^{-2}$

D.  $\sum(x - y)^{-2}$

2. Which of the following is a measure of dispersion?

A. Variance

B. Graph

C. Mean

D. Median

3. The algebraic notation  $Q = f(p)$  means that \_\_\_\_\_.

A. quantity (Q) is a function (f) of price (P)

B. quantity (Q) is equal to a function (f) of price (P)

C. quantity (Q) is equal to function (f) multiplied by price (P)

D. quantity (Q) is directly proportional to price (P) as a function (f)

4. When the marginal product is zero, total product must be \_\_\_\_.

A. maximum

B. positive

C. negative

D. increasing

E. minimum

5. The marginal and average products are equal when the average product is \_\_\_\_.

- A. falling
- B. rising
- C. at a minimum
- D. at a maximum
- E. constant

6. In economic analysis, a statement is said to be normative if it \_\_\_\_.

- A. relates to value judgement
- B. is incorrect
- C. can be tested scientifically
- D. is contradictory

7. The slope of the production possibility curve is called the \_\_\_\_.

- A. Marginal Productivity Theory (MPT)
- B. Marginal Rate of Transformation (MRT)
- C. Marginal Rate of Substitution (MRS)
- D. Marginal Rate of Conversion (MRC)
- E. Average Rate of Substitution (ARS)

8. At constant returns to scale, \_\_\_\_.

- A. total product is maximum
- B. average product is beginning to fall
- C. marginal product reduces towards zero
- D. All of the above

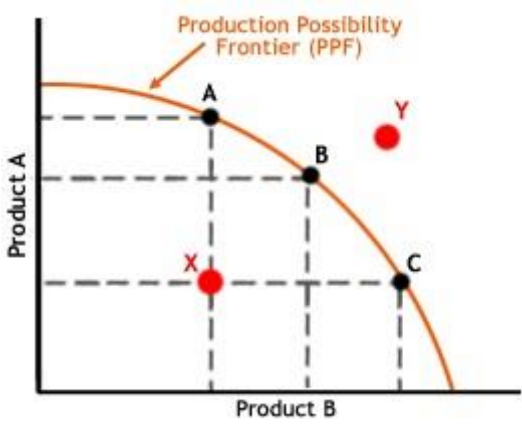
9. Find the median of the following set of values: 2, 7, 5, 8, 2, 9, 11, 12, 3, 4.

- A. 6
- B. 2



- C. 7
- D. 9

10. Outside the production possibility frontier, production is not feasible because \_\_\_\_\_.

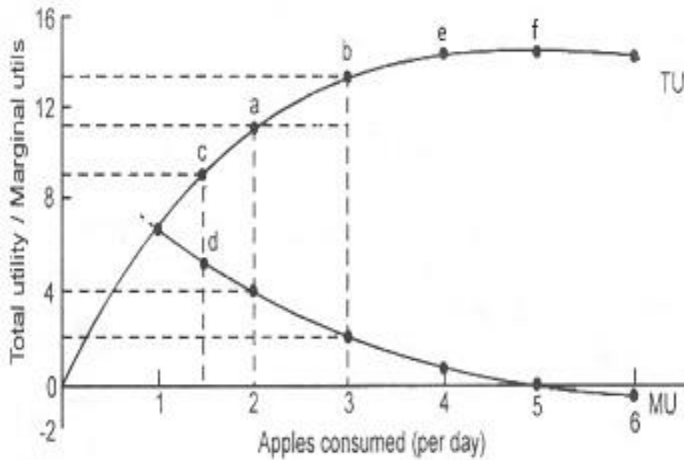


- A. resources are underemployed
- B. resources are overemployed
- C. resources are in dearth
- D. resources are subject to embezzlement

## TOPIC: ELEMENTARY TREATMENT OF UTILITY THEORY

**DIRECTION: Choose the correct answer from the lettered options.**

1. Which of the following is NOT true about the graph?



- A. Total utility gets to its maximum at the point when marginal utility equals zero
- B. Total utility begins to fall when marginal utility becomes negative
- C. Total utility gets to its maximum at the point where marginal utility becomes negative
- D. Total utility starts falling after the point of saturation

2. Households are assumed to maximize \_\_\_\_\_.

- A. investments
- B. utility
- C. profits
- D. all of the above

3. Which of the following is NOT true about the Indifference curve?

- A. Indifference curves cannot intersect
- B. Indifference curves are downward slopy

- C. An indifference curve on the right hand side represents higher level of satisfaction
- D. An indifference curve on the left hand side represents higher level of satisfaction

4.  $MU_x / MU_y = P_x / P_y$

Where: x and y are commodities,

MU = Marginal Utility,

P = Price.

The above represents the \_\_\_\_.

- A. marginal utility equation
- B. equation for consumer disequilibrium
- C. utility maximisation equation
- D. equation for total utility
- E. equation for price elasticity

5. What will happen when a consumer keeps consuming equal increment in the quantity of a good?

- A. Total utility will increase
- B. Marginal utility will increase
- C. Total utility will remain unchanged
- D. Marginal utility will start falling

6. With a given level of money income, a consumer maximizes satisfaction from the consumption of goods/services when the \_\_\_\_.

- A. total utility derived from each good/service is increasing at an increasing rate
- B. marginal utility derived from each good/service is increasing at the same rate
- C. marginal utility per Naira spent is the same for all goods/services
- D. total utility derived from all good/service is large

7. At every point on an indifference curve, \_\_\_\_\_.

- A. total utility is decreasing
- B. price of all goods are constant
- C. the consumer is satisfied
- D. the level of utility is constant

8. Which of the following concepts describe the fact that the more we have of any commodity the less we value more of it?

- A. The law of variable proportions.
- B. The production possibility frontier.
- C. The laws of demand and supply.
- D. The law of diminishing marginal utility.

As more of a commodity is consumed, the satisfaction it gives decreases.

9. The concept of utility is \_\_\_\_\_.

- A. objective
- B. Fixed
- C. subjective
- D. relative

10. A point along a consumer's indifference curve shows \_\_\_\_\_.

- A. the different commodities he can consume within a given time
- B. a combination of all the commodities he or she is willing to buy within a given period
- C. a combination of two commodities from which he derives the same level of satisfaction
- D. the quantities of commodities demanded by him

11. At the highest level of total utility, marginal utility is \_\_\_\_\_.

- A. negative

- B. positive and falling
- C. positive and rising
- D. zero

12. The law of diminishing marginal utility states that, the more a commodity is consumed, the \_\_\_\_\_.

- A. higher the satisfaction derived from an additional unit
- B. higher the price to be paid
- C. lower the quantity supplied
- D. lower the rate of increase in the total utility derived

13. \_\_\_\_\_ economic school of thought emphasized that utility is measurable.

- A. The Cardinal
- B. The Keynesian
- C. The Malthusian
- D. The Marshalian

14. What becomes of Total utility when marginal utility reaches zero?

- A. Total utility gets to its maximum
- B. Total utility equals zero
- C. Total utility cuts the X axis
- D. Total utility becomes negative

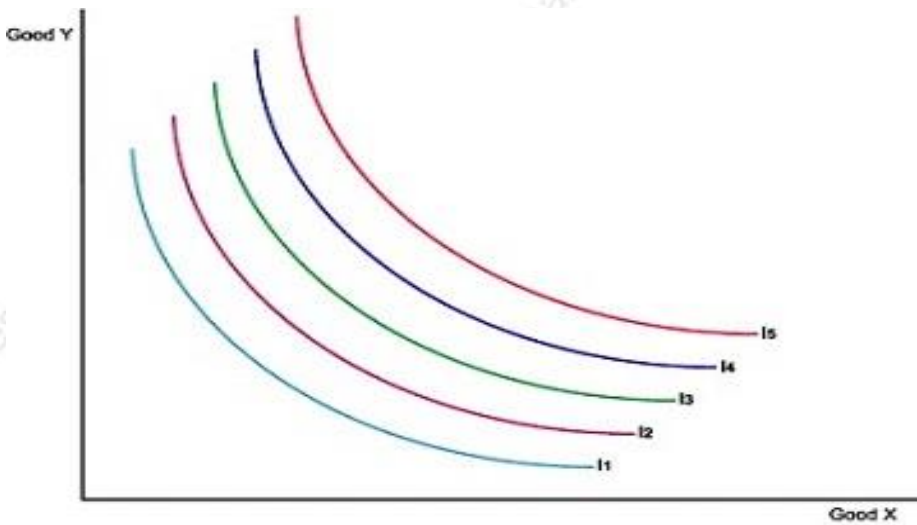
15. Utility is the satisfaction derived from \_\_\_\_\_

- A. demand
- B. production
- C. distribution
- D. consumption

16. What is total utility divided by quantity consumed equal to?

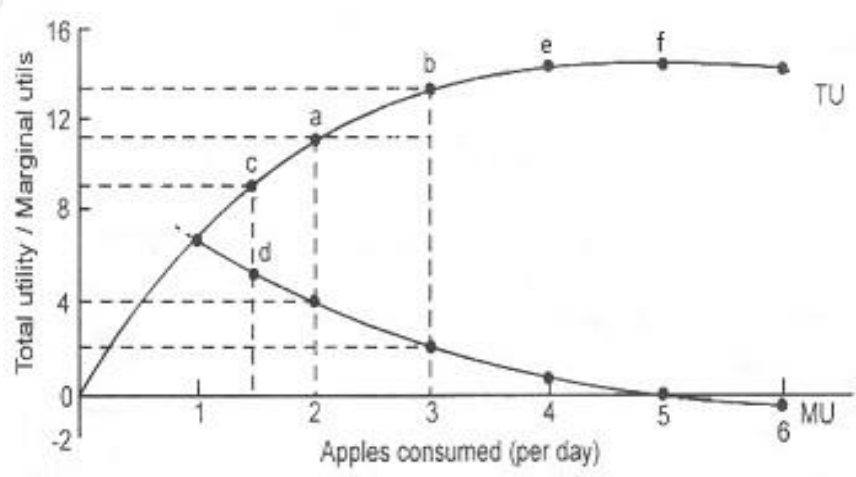
- A. Marginal utility
- B. Average utility
- C. Total utility
- D. Price

17. From the graph, which indifference curve gives the highest level of satisfaction?



- A. I5
- B. I4
- C. I3
- D. I1

18. From the graph, which is the point of saturation?



- A. Point b
- B. Point d
- C. Point e
- D. Point f

19. Marginal utility will usually \_\_\_\_\_ with each additional increase in consumption of a good.

- A. increase
- B. decrease
- C. remain unchanged
- D. move inversely to the invisible hand

20. If a commodity has very high marginal utility and very low total utility, its market price will \_\_\_\_\_.

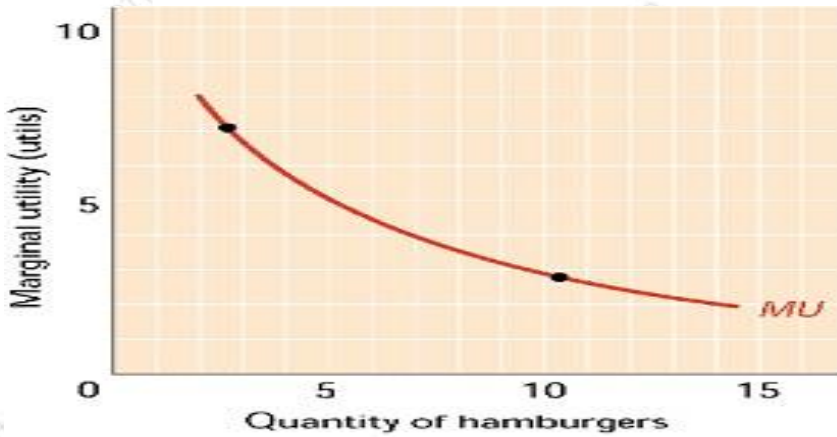
- A. be high
- B. be low
- C. always be falling
- D. always be rising

21. If all goods were free, a rational consumer would consume \_\_\_\_\_.

- A. an infinite amount of each good

- B. the amount where marginal utility becomes zero
- C. the same amount as when each good had a price
- D. the amount where marginal utility was the highest

22. The graph represents \_\_\_\_\_.



- A. a demand curve
- B. a marginal utility curve
- C. a Supply curve
- D. an indifference curve

23. The formula for calculating average utility (Au) is \_\_\_\_\_.

- A.  $AU = TU - Q$
- B.  $AU = TU - MU$
- C.  $AU = TU/Q$
- D.  $AU = MU/Q$

24. Diagrammatically, the law of diminishing marginal utility is \_\_\_\_\_.

- A. downward slopy
- B. upward slopy
- C. horizontal
- D. vertical



25. \_\_\_\_\_ utility is the satisfaction that is derived per unit of a commodity consumed.

- A. Marginal
- B. Average
- C. Total
- D. Quantity
- E. Gross

26. What is average utility multiplied by quantity consumed equal to?

- A. Average utility
- B. Total utility
- C. Marginal utility
- D. Price

27. What is change in total utility divided by change in consumption equal to?

- A. Marginal utility
- B. Total utility
- C. Average utility
- D. Price

28. Utility is associated with all of the following except \_\_\_\_\_.

- A. satisfaction
- B. deprivation
- C. pleasure
- D. fulfilment

29. A rational consumer will maximise utility where \_\_\_\_\_.

- A.  $MU_x/P_x = MU_y/P_y$
- B.  $MU_x MU_y = P_x P_y$

C.  $P_x/MU_x = P_y/MU_y$

D.  $MU_x P_x = MU_y P_y$

30. The theory of consumer behaviour assumes that income-elasticity of consumption is \_\_\_\_\_.

A. negative

B. positive

C. unitary

D. zero

31. Tarela consumes only two goods: roasted plantain and fish. She spends her entire weekly income on roasted plantain and fish. At her current consumption level of the two goods, the Marginal Utility of the last naira she spent on roasted plantain is 5 and the Marginal Utility of the last naira spent on fish is 10. To maximise her utility, Tarela should \_\_\_\_\_

A. maintain her current consumption level of the two goods

B. buy fewer units of plantain and more units of fish

C. buy fewer units of fish and more units of plantain

D. buy fewer units of both plantain and fish

32. When marginal utility is zero, total utility is \_\_\_\_\_.

A. zero

B. maximum

C. minimum

D. negative

33. All of the following occur along an indifference curve, except \_\_\_\_\_.

A. total utility does not change

B. the possible combination of three or more commodities are displayed

C. the slope of the product transformation curve is called the marginal rate of substitution

D. all combinations represented on the curve gives the consumer the same amount of satisfaction

34. What becomes of Total utility when marginal utility becomes negative?

A. Total utility gets to its maximum

B. Total utility equals zero

C. Total utility begins to fall

D. Total utility starts increasing

35. What does the concept of the indifference curve postulate?

A. All combinations of two commodities on the indifference curve gives different level of satisfaction

B. All combinations of two commodities on the indifference curve gives no level of satisfaction

C. All combinations of two commodities on the indifference curve gives the same level of satisfaction

D. All combinations of two commodities on the indifference curve gives negative satisfaction

36. What is the concept of consumer theory?

A. It is the consumption behaviour of consumers

B. It is the productive capacity of consumers

C. It is the extractive behaviour of consumers

D. It is the purchasing behaviour of consumers

## TOPIC: FINANCIAL INSTITUTIONS

***DIRECTION: Choose the correct answer from the lettered options.***

1. The following are examples of financial instruments EXCEPT \_\_\_\_\_.
  - A. bonds
  - B. cheques
  - C. shares
  - D. stocks
  
2. A financial institution that specialises in accepting responsibilities for risks on persons and properties is called \_\_\_\_\_.
  - A. a stock exchange
  - B. an investment bank
  - C. a development bank
  - D. an insurance company
  
3. When a bank writes off a loan as bad, its \_\_\_\_\_.
  - A. total assets and total liabilities decrease by that amount
  - B. total liabilities and capital decrease by that amount
  - C. total assets and capital decrease by that amount
  - D. total assets, total liabilities and capital decrease by that amount
  - E. total liabilities decrease by that amount
  
4. Which of the following is true about common stock?
  - A. It represents an I Owe You (IOU) on the part of the issuing firm.
  - B. It entitles the holder to contractual payments.
  - C. It is not a form of investment.
  - D. It allows the holder to share in the earnings of the firm.

5. One of the functions of the Central Bank of Nigeria (CBN) is the \_\_\_\_\_.  
A. production of goods  
B. issuing of currency  
C. presentation of budgets  
D. printing of cheque books
6. An example of an invisible item in the balance of payments accounts is \_\_\_\_\_.  
A. banking service  
B. import of electronics  
C. export of petroleum  
D. export of primary products
7. Which of the following is NOT a development bank?  
A. Federal Mortgage bank of Nigeria (FMBN).  
B. Nigerian Agricultural and Cooperative Bank (NACB).  
C. Nigerian Bank for Commerce and Industry (NBCI).  
D. Nigerian Acceptance Bank (NAB).
8. The primary objective of the Nigerian Industrial Development Bank (NIDB) is the provision of loans to \_\_\_\_\_.  
A. farmers  
B. manufacturers  
C. estate agents  
D. transporters  
E. students

9. The demand for the monetary base is composed of demand by \_\_\_\_.

- A. banks and the treasury
- B. banks and the Central Bank
- C. banks and the public
- D. the treasury and the Central Bank
- E. the Central Bank

10. Which of the following is a short-term financial instrument?

- A. Treasury bills.
- B. Dividends.
- C. Shares.
- D. Government bonds.

11. The Central Bank of Nigeria was created to \_\_\_\_.

- A. underwrite shares
- B. primarily hold large quantities of the ever expanding government debt
- C. issue currency
- D. accept deposits
- E. improve fiscal activities

12. Commercial banks are commonly known for \_\_\_\_.

- A. long term loans
- B. medium term loans
- C. short term loans
- D. syndicated loan

13. Which of the following is a function of merchant banks?

- A. Minting of coins.
- B. Preparing of government budget.
- C. Keeping watch on external reserves of the country.
- D. Acting as acceptance houses.

14. Between 1915 and 1960, the greatest bank failure in Nigeria occurred between \_\_\_\_\_.

- A. 1917 - 1922
- B. 1923 - 1946
- C. 1947 - 1952
- D. 1953 - 1960

15. \_\_\_\_\_ is the market where existing securities are bought and sold.

- A. Money market
- B. Capital market
- C. Primary market
- D. Secondary market

16. The primary assets of a mutual savings bank are \_\_\_\_\_.

- A. money market instruments
- B. corporate bonds and stock
- C. consumer and business loans
- D. mortgages

17. Suppose you buy ₦100,000 worth of newly issued CINFORES bonds. Which of the following is correct?

- A. You now own CINFORES BrainFriend Software.
- B. You have loaned ₦100,000 to CINFORES.

- C. CINFORES is worth ₦100,000.
- D. You owe CINFORES ₦100,000.

18. The monetary control instrument most effectively used by the Central Bank of Nigeria is the \_\_\_\_\_.

- A. open market operation
- B. margin requirement
- C. reserve ratio
- D. discount rate

19. Commercial bank reserves at the Central bank have the effect of \_\_\_\_\_.

- A. controlling credit and money supply
- B. discouraging banking operations
- C. advancing trade prospects
- D. retarding economic growth

20. Restriction on credit creation by commercial banks can be effected through \_\_\_\_\_.

- A. an overdraft
- B. loans and allowances
- C. demand deposit
- D. liquidity ratio
- E. current account

21. Currently, the largest portion of banks' profits stem from \_\_\_\_\_.

- A. loans
- B. securities



- C. fees for services
- D. derivatives
- E. none of the above

22. Which of the following occurs when you deposit a ₦100 cheque in your bank account at the First National Bank and later withdraw ₦50 in cash?

- A. The liabilities of First National Bank rises by ₦100.
- B. The reserves of First National Bank rises by ₦100.
- C. The assets of First National Bank rises by ₦150.
- D. The liabilities of First National Bank rises by ₦50.

23. Transaction costs are lowest in \_\_\_\_\_.

- A. treasury bills
- B. common stocks
- C. bonds
- D. municipal bonds

24. Which of the following is a function of the Central Bank of Nigeria?

- A. Serving as custodian of important valuables.
- B. Giving advice to customers.
- C. Serving as bankers' bank.
- D. Creating credit.

25. Which of the following assets of a commercial bank does NOT yield revenue?

- A. Money in the tills of the bank.
- B. Money at call.
- C. Loans and advances.
- D. Treasury bills.

26. The primary liabilities of a savings and loan association are \_\_\_\_\_.

- A. bonds
- B. mortgages
- C. deposits
- D. commercial paper

27. All of the following is are true about when you purchase corporate stock, except \_\_\_\_\_.

- A. you have loaned money to the corporation
- B. you own part of the corporation
- C. you have made new funds available to the corporation
- D. you owe the corporation

28. Assuming there are no leakages, given that initial deposits are N400.00, cash deposit ratio is 25%, the maximum amount that banks can create is \_\_\_\_\_.

- A. ₦100,000.00
- B. ₦1,600.00
- C. ₦160,000.00
- D. ₦200,000.00
- E. ₦2,000.00

29. In commercial banking, an account from which the customer cannot withdraw money instantly is a \_\_\_\_\_ account.

- A. demand deposit
- B. time deposit
- C. special deposit
- D. saving deposit

30. Which of the following is a liability of a commercial bank?

- A. Deposits in the bank.
- B. Loans given by the bank to individuals.
- C. Loans given by the bank to other banks.
- D. Bonds purchased by the bank.

31. The \_\_\_\_\_ is known as the 'government banker'.

- A. Merchant bank
- B. Central bank
- C. Commercial bank
- D. Development bank

32. Which of the following bank assets is the most liquid?

- A. Consumer loans.
- B. State and local government securities.
- C. Physical capital.
- D. Federal government securities.

33. Commercial banks obtain funds by \_\_\_\_\_.

- A. issuing demand deposits
- B. borrowing from other banks
- C. issuing ownership claims (equity)
- D. all of the above

34. Which of the following is a short-term financial instrument?

- A. Treasury bill.
- B. Share of IBM stock.

- C. Bond with a maturity of 2 years.
- D. Residential mortgage.

35. Banks can create money by \_\_\_\_\_.

- A. increasing its cash ratio with the Central Bank
- B. issuing more bank cheques
- C. accepting more deposits from customers
- D. lending out money from customers' deposits
- E. issuing more currency

36. The Central Bank controls the credit policy of commercial banks in the following ways EXCEPT \_\_\_\_\_.

- A. bank rate.
- B. cash-deposit ratio.
- C. credit creation.
- D. moral suasion.

37. Assumed that the required reserve ratio is 20% and a bank receives a cash deposit of N500 from a new customer.

QUESTION: The maximum increase in the money supply that can be generated from the deposit is \_\_\_\_\_

- A. N400
- B. N500
- C. N2,000
- D. N2,500

38. The Federal Reserve System is \_\_\_\_\_.

- A. the organisation that insures bank deposits in Nigeria
- B. another name for the U.S. Treasury

- C. the Central Bank in the United States
- D. the organisation that insures bank deposits in the U.S

39. An item listed on the liability side of banks' balance sheets is \_\_\_\_\_.

- A. bank capital
- B. loans
- C. reserves
- D. all of the above
- E. A and B only

40. What will a bank do first when it faces reserve deficiency because of a deposit outflow?

- A. Call in loans.
- B. Borrow from the Federal government.
- C. Sell securities.
- D. Borrow from other banks.

41. A bank failure is more likely to occur when a bank \_\_\_\_\_.

- A. holds more Nigerian government securities
- B. suffers large deposit outflows
- C. holds more excess reserves
- D. has more bank capital
- E. has large deposit inflows

42. When a N10,000 cheque written on Zenith Bank is deposited in an account at the Unity Bank, then \_\_\_\_\_.

- A. the liabilities of Zenith Bank increases by N10,000
- B. the reserve of Zenith Bank increases by N10,000

- C. the liabilities of Unity Bank falls by N10,000
- D. the reserve of Unity Bank increases by N10,000

43. Contractual savings institutions include \_\_\_\_.

- A. commercial banks and thrifts
- B. life insurance companies and pension funds
- C. finance companies and mutual funds
- D. all of the above

44. A rise in the market price of a fixed interest security is an indication that the \_\_\_\_.

- A. supply of money has decreased
- B. liquidity preference has increased
- C. market rate of interest has risen
- D. market rate of interest has fallen

45. In finance we refer to the market for short-term government and corporate debt securities as the \_\_\_\_\_ market.

- A. money
- B. capital
- C. primary
- D. secondary
- E. tertiary

46. Which of the following is a source of commercial bank funds?

- A. Deposits.
- B. Capital.
- C. Non deposit borrowing.
- D. All of the above.

47. Which of the following is NOT a financial intermediary?

- A. Commercial banks.
- B. Insurance companies.
- C. Pension funds.
- D. Mutual funds.
- E. Petroleum Trust Fund.

48. Bill of exchange originated from \_\_\_\_\_

- A. the Central bank
- B. commercial banks
- C. community banks
- D. development banks
- E. mortgage banks

49. Financial intermediaries promote efficiency and thereby increase people's wealth by \_\_\_\_\_.

- A. reducing the transaction cost of linking together lenders and borrowers
- B. making the rich poor
- C. providing additional jobs
- D. increasing the transaction cost of linking together lenders and borrowers

50. Which of the following is a liability of a commercial bank?

- A. Deposits.
- B. Money at call.
- C. Loans to customers.
- D. Overdrafts.

51. Banks create money when they \_\_\_\_\_.

- A. reduce loans and sell securities

- B. expand loans and sell securities
- C. reduce loans and buy securities
- D. expand loans and buy securities

52. One of the functions of savings banks is that they assist in \_\_\_\_\_.

- A. reducing the inequality of incomes.
- B. mobilising funds for investment in the rural areas.
- C. promoting economic progress of urban centres.
- D. distributing money among investors in the rural areas.

53. Which of the following is an asset on the commercial bank balance sheet?

- A. Capital accounts.
- B. Deposits with Central Bank.
- C. Transactions deposits.
- D. None of the above.

54. Brokers are distinguished from dealers because they do not \_\_\_\_\_.

- A. hold inventories of securities
- B. make profits
- C. incur losses
- D. deal directly with the public

55. The primary objective of the Nigerian Industrial Development Bank (NIDB) is the provision of loans to \_\_\_\_\_.

- A. farmers
- B. manufacturers
- C. estate agents
- D. transporters



56. The Lagos Clearing House is \_\_\_\_\_.

- A. a commodity market
- B. an import license center
- C. the Lagos Stock Exchange
- D. an insurance and underwriting center
- E. a cheque sorting center

57. Financial intermediaries \_\_\_\_\_.

- A. channel funds from savers to borrowers
- B. greatly enhance economic efficiency
- C. have been a source of many financial innovations
- D. all of the above

58. Which of these is NOT among the assets of a commercial bank?

- A. Bills discounted
- B. Cash at hand
- C. Deposits by customers
- D. Loans to customers

59. The Central Bank in the United States of America is called \_\_\_\_\_.

- A. Bank of America
- B. Central Bank of America
- C. Federal Reserve Bank
- D. Central Reserve Bank of America

60. The function of the Central Bank of Nigeria as a lender of last resort means that when all other sources fail, \_\_\_\_\_.

- A. the consumer can always borrow from the Central Bank
- B. the government can ask the Central Bank to print more money

- C. commercial banks can raise loans from the Central Bank
- D. commercial banks can deposit money with the Central Bank

61. Which of the following is a depository institution?

- A. Life insurance company.
- B. Credit union.
- C. Pension fund.
- D. Finance company.

62. Which of the following is a use for commercial bank funds?

- A. Loans.
- B. Securities.
- C. Reserves.
- D. All of the above.

63. The Central bank in the United Kingdom is called \_\_\_\_.

- A. Bank of England
- B. Bank of the United Kingdom
- C. Bank of London
- D. Central Bank of the United Kingdom

64. Which of the following is traded in a money market?

- A. Treasury bonds.
- B. Mortgages.
- C. Common stocks.
- D. Bill of exchange.

65. Which of the following is a fundamental commercial bank accounting equation?

- A.  $\text{assets} - \text{capital} = \text{liabilities}$
- B.  $\text{assets} + \text{liabilities} = \text{capital}$

- C. assets - liabilities = capital
- D. assets - sales = liabilities

66. In finance, we refer to the market for relatively long-term financial instruments as the \_\_\_\_\_ market.

- A. money
- B. capital
- C. primary
- D. secondary
- E. tertiary

67. Assumed that the required reserve ratio is 20% and a bank receives a cash deposit of N500 from a new customer. The bank is legally required to \_\_\_\_\_

- A. keep 20% of the N500 as reserves
- B. keep N150 of the N500 as reserves
- C. lend 20% of the N500 and keep the rest as reserves
- D. send 80% of the N500 to the Central Bank of Nigeria

68. A bank's primary reserve includes \_\_\_\_\_.

- A. vault cash
- B. deposits at the Central bank
- C. treasury bills
- D. A and B
- E. all of the above

69. A bond denominated in a currency other than that of the country in which it is sold is called \_\_\_\_\_.

- A. a foreign bond
- B. an Eurobond
- C. an equity bond

- D. a currency bond
- E. none of the above

70. One method through which the Central bank can restrict the commercial bank's power of credit expansion is to \_\_\_\_\_.

- A. demand for increased special deposits
- B. decrease the cash ratio
- C. buy securities in the open market
- D. reduce the rate of interests at which banks borrow from it
- E. none of the above

71. The Central Bank of Nigeria (CBN) controls the money supply through all the following EXCEPT\_\_\_\_\_.

- A. lending to the public
- B. bank rate
- C. legal reserve requirement
- D. open market operation

72. The effect of an increase in the rate of discount by the Central bank on the commercial bank is that \_\_\_\_\_.

- A. borrowing becomes attractive
- B. borrowing is discouraged
- C. foreign investors are attracted
- D. banks' assets increases

73. Insurance companies, pension and provident funds and unit trusts are all examples of \_\_\_\_\_.

- A. rural-based revenue mobilizers
- B. non-governmental organisations

- C. governmental financial agencies
- D. non-bank financial institutions

74. Second hand security is sold and bought in the \_\_\_\_\_.

- A. stock exchange market
- B. capital market
- C. foreign exchange market
- D. money market

75. In finance we refer to the market where new securities are bought and sold for the first time as the \_\_\_\_\_ market.

- A. money
- B. capital
- C. primary
- D. secondary

76. Which of these is NOT a function of the Central Banks in West Africa?

- A. Dealing in foreign exchange.
- B. Issuing of currencies.
- C. Accepting deposits from private customers.
- D. Acting as the government's bank.

## TOPIC: INDUSTRY AND INDUSTRIALISATION

***DIRECTION: Choose the correct answer from the lettered options.***

1. Which of the following will be the effect of allowing only economic factors to dictate the location of industries in Nigeria?
  - A. A more even development of the different parts of the country will be assured.
  - B. There will be an imbalanced spread in the distribution of industries.
  - C. The less developed parts of the country will be able to attract more industries.
  - D. Only the government will be able to finance the establishment of industries.
  
2. Which of the following is NOT a factor that should be considered when locating an industry?
  - A. Capital.
  - B. Nearness to source.
  - C. Government policy.
  - D. Educational facilities.
  
3. A union composed of workers with the same skill is called \_\_\_\_\_.
  - A. a technical union
  - B. a craft union
  - C. an industrial union
  - D. a worker's union
  
4. A majority of multi-national companies in the petroleum industry in Nigeria are \_\_\_\_\_.
  - A. refineries
  - B. oil marketing and prospecting companies
  - C. oil marketing companies only
  - D. oil prospecting companies only

5. In locating an industry, all of the following factors are considered, except \_\_\_\_\_.  
A. source of capital  
B. labour supply  
C. nearness to market  
D. production processes
6. Which of the following is NOT a disadvantage of localisation of industries?  
A. Frictional unemployment as a result of a highly specialised pool of labour.  
B. Overgrowth of cities leading to rising land values and accommodation problem.  
C. Over-population in the rural areas.  
D. Environmental pollution resulting from gas and effluent of the factories.
7. The following are all factors determining the location of industry EXCEPT \_\_\_\_\_.  
A. minimum wage rate  
B. availability of labour  
C. nearness to raw materials  
D. proximity to market
8. Localisation of industry is \_\_\_\_\_.  
A. the take over of foreign owned firms by the government of a country  
B. the concentration of related firms in a place  
C. the creation of industries who use locally sourced raw materials  
D. the siting of industries in rural areas
9. The following are the disadvantages of concentrating firms in an area EXCEPT that it \_\_\_\_\_.  
A. becomes a target for enemy's attack  
B. brings structural unemployment

- C. creates uneven development
  - D. encourages healthy competition
10. The cost-saving advantages enjoyed by a firm as a result of improvement in its internal operations is called \_\_\_\_\_.  
A. external diseconomies of scale  
B. external economies of scale  
C. internal diseconomies of scale  
D. internal economies of scale
11. A bank will want to hold less excess reserves (all things been equal) when \_\_\_\_\_.  
A. it expects to have deposit inflows in the near future.  
B. brokerage commissions on selling bonds rise.  
C. it expects the supply of money to increase  
D. it expects interest rate to fall
12. Which of the following is NOT an advantage of localising industries?  
A. Atmospheric pollution.  
B. Growth of organised markets.  
C. Development of a pool of skilled labour.  
D. Growth of subsidiary firms.  
E. Provision of social amenities.
13. The greatest revenue earning industry in Nigeria as at 1990 was \_\_\_\_\_.  
A. construction  
B. agriculture  
C. manufacturing  
D. mining



14. The localisation of industries is \_\_\_\_\_.

- A. the concentration of local industries in a country
- B. the concentration of the firms of an industry in a particular area
- C. the location of a firm at a particular locality
- D. the economic development of a locality
- E. government intervention in the location of industries

15. Which of the following is a merit of localisation of industries?

- A. It brings about invention and innovation
- B. It causes migration
- C. It causes shortage of social amenities
- D. It causes structural unemployment

16. A factor that influences the location of a firm near its market is the \_\_\_\_\_.

- A. transportation of bulky raw materials
- B. external economies of scale
- C. high cost of transporting finished goods
- D. availability of skilled manpower

17. A firm enjoys external economies when \_\_\_\_\_.

- A. it achieves cost reductions as a result of the presence of many related firms
- B. it increases cost as a result of the presence of many related firms
- C. its supply contracts are to external countries
- D. there is overcrowding of social amenities

18. One of the dangers of the localisation of industries is \_\_\_\_\_.

- A. hidden unemployment
- B. frictional unemployment

- C. structural unemployment
- D. cyclical unemployment

19. Industrialisation means the following, except \_\_\_\_\_.

- A. production activities which result in the output of goods and services
- B. establishment of many industries as possible
- C. a shift from agricultural economy to an industrial one
- D. rendering of services in a factory
- E. none of the above

## TOPIC: MONEY AND INFLATION

***DIRECTION: Choose the correct answer from the lettered options.***

1. The best method to curb inflation in Nigeria is to \_\_\_\_.
  - A. reduce importation of commodities
  - B. increase the general level of production
  - C. reduce the volume of money in circulation
  - D. set up price control boards
  - E. increase the volume of money in circulation
  
2. Which of the following is NOT a cause of inflation?
  - A. Excess demand over supply.
  - B. Persistent rise in input costs.
  - C. A fall in the exchange rate.
  - D. Excess supply over demand.
  
3. The value of money is best determined by its \_\_\_\_\_.
  - A. size
  - B. purchasing power
  - C. portability
  - D. acceptability
  - E. divisibility
  
4. The term "double coincidence" of wants is usually associated with a \_\_\_\_\_.
  - A. multilateral exchange system
  - B. monetary exchange mechanism
  - C. stock exchange system
  - D. barter exchange mechanism

5. Which of the following did NOT serve as money in the 17th century?

- A. Gold
- B. Tobacco
- C. Credit cards
- D. Silver

6. The monetary base is comprised of \_\_\_\_.

- A. currency in circulation and federal reserve notes
- B. currency in circulation and government securities
- C. currency in circulation and reserves
- D. reserves and government securities
- E. all of the above

7. The speculative motive for holding money is based on the function of money as a \_\_\_\_.

- A. store of value
- B. measure of value
- C. medium of exchange
- D. unit of account
- E. standard for deferred payment

8. When the Naira depreciates in value, it benefits \_\_\_\_ and harms \_\_\_\_.

- A. Nigerian exporters; Nigerian consumers
- B. Nigerian exporters; foreign consumers
- C. foreign consumers; Nigerian tourists
- D. foreign exporters; Nigerian tourists
- E. Nigerian consumers; Nigerian exporters

9. An increase in costs will \_\_\_\_\_.

- A. shift aggregate demand
- B. shift aggregate supply
- C. reduce the natural rate of unemployment
- D. increase the productivity of employees

10. Which of the following is a problem with a payment system based largely on cheques?

- A. Cheques are costly to process.
- B. A little discrepancy on a cheque can affect payment.
- C. Cheques take time to move through the clearing system.
- D. All of the above.

11. Which of the following statements is NOT correct? The supply of money \_\_\_\_\_.

- A. is a flow and not a stock
- B. includes current account deposits in banks
- C. can be measured from central bank records
- D. is the total stock of money in an economy

12. A persistent rise on the general level of prices implies \_\_\_\_\_.

- A. low circulation of money in the economy
- B. a one-time rise in prices
- C. a steady fall in the purchasing power of money
- D. an economic recession
- E. a lower cost of living

13. When interest rates are expected to fall in the future, a banker is likely to \_\_\_\_.

- A. make short term rather than long term loans
- B. buy short term rather than long term bonds
- C. buy long term rather than short term bonds
- D. make long term rather than short term loans
- E. A and B only

14. Which of the following bears the most market risk?

- A. Treasury bill
- B. Savings account deposit
- C. Certificate of deposit
- D. Current account deposit
- E. Fixed account deposit

15. A lower domestic money supply causes the domestic currency to \_\_\_\_.

- A. depreciate more in the short run than in the long run
- B. depreciate more in the long run than in the short run
- C. appreciate more in the short run than in the long run
- D. appreciate more in the long run than in the short run

16. The transactions motive of demand for money \_\_\_\_.

- A. bothers on the role of money as a medium of exchange
- B. results from the operations of the foreign exchange market
- C. bothers on the role of money as a keep-sake
- D. relates to the monetary value of income-yielding assets

17. The best way to reduce the supply of money in the economy is to \_\_\_\_\_.

- A. increase the liquidity ratio
- B. increase the number of bank notes and cheques produced
- C. decrease treasury bills
- D. liberalize access to credit
- E. build more central banks

18. The money set aside for the replacement of capital used in the process of production is known as \_\_\_\_\_.

- A. capital accumulation
- B. capital consumption allowance
- C. evaluation
- D. paid up capital

19. Which of the following is NOT a function of money?

- A. A medium of exchange.
- B. A standard of deferred payment.
- C. A cost of production.
- D. A measure of value.

20. Money becomes a very poor store of value in a period of \_\_\_\_\_.

- A. deflation
- B. stable prices
- C. recession
- D. inflation

21. To be considered highly liquid, an asset must \_\_\_\_\_.

- A. not be easily convertible to cash
- B. fluctuate sharply in value

- C. command higher transaction cost
- D. have the ability to be sold quickly and without minimal loss of value

22. Inflationary situation occurs when \_\_\_\_\_.

- A. demand equals supply
- B. demand equals zero
- C. demand is greater than supply
- D. supply equals zero

23. Which inflation type will result if the price level rose because of an increase in the price of raw materials?

- A. Deflation
- B. Hyperinflation
- C. Demand-pull inflation
- D. Cost-push inflation

24. What happens when a nation's money supply persistently increases at a faster rate than it can increase its output of goods and services?

- A. Budget deficits increase.
- B. Inflation occurs.
- C. Real output accelerates.
- D. Standard of living falls.

25. Money appears to have a major influence on \_\_\_\_\_.

- A. inflation
- B. the business cycle
- C. interest rates
- D. all of the above



26. Budget deficits are important to study in money and banking classes because \_\_\_\_\_.

- A. budget deficits cause banks to fail
- B. without budget deficits banks would not exist
- C. budget deficits may influence the conduct of monetary policy
- D. budget deficits reduce the value of money in the economy

27. Our Nigerian monetary system as at 2006 may be characterised as a \_\_\_\_\_.

- A. gold standard system
- B. commodity money system
- C. credit or fiat money system
- D. representative full bodied monetary system

28. A crate of Mountain Dew is priced at ₦400.00. This example illustrates money serving as a \_\_\_\_\_.

- A. medium of exchange
- B. measure of value
- C. means of payment
- D. store of value

29. Which of the following is most likely to result from a stronger euro?

- A. U.S. goods exported abroad will cost less in Germany, and so Germans will buy more of them.
- B. U.S. goods exported abroad will cost more in Germany, and so Germans will buy more of them.
- C. U. S. goods exported abroad will cost more in Germany, and so Germans will buy fewer of them.
- D. Americans will purchase more foreign goods.
- E. None of the above.

30. Suppressed inflation is characterised by \_\_\_\_\_.

- A. use of laws to hold down prices
- B. availability of redundant stocks of money
- C. non-rapid increases in the general price level
- D. All of the above

31. The least liquid asset below is\_\_\_\_\_.

- A. treasury bond
- B. money market mutual fund share
- C. savings account deposit
- D. current account deposit

32. The best way of combating demand-pull inflation is to \_\_\_\_\_.

- A. increase income taxes
- B. reduce income taxes
- C. increase import duties
- D. increase salaries and wages

33. Which of the following is NOT a reason for holding money?

- A. Ostentation
- B. Speculation
- C. Transaction
- D. Precautionary

34. Inflation exists when \_\_\_\_\_.

- A. the volume of money in circulation increases
- B. there is a sustained upward movement in the prices of essential goods

- C. there is a sustained upward movement of the general price level
- D. there is a sustained upward movement in the prices of luxury goods

35. Which of the following is NOT an effect of inflation?

- A. Long-run change in resource allocation.
- B. Income redistribution in favour of debtors.
- C. Income redistribution in favour of creditors.
- D. Destruction of store of value function of money.
- E. Reduction in inflow of foreign exchange

36. The function of money as a standard of deferred payment \_\_\_\_.

- A. makes it possible for an individual to build up stores of many things for future use
- B. makes it possible for payments to be postponed from the present to a future date
- C. facilitates the exchange of goods and services
- D. makes easy calculations possible

37. The conversion of a barter economy to one that uses money \_\_\_\_.

- A. increases efficiency by reducing the need to exchange goods
- B. increases efficiency by reducing transaction costs
- C. has no effect on economic efficiency since efficiency is a production concept, not an exchange concept
- D. decreases efficiency by reducing the need to specialise
- E. is of no economic importance

38. In Nigeria, the interest rate decisions are taken by the \_\_\_\_.

- A. Central Bank of Nigeria (CBN)
- B. forces of demand and supply
- C. monetary policy committee
- D. electorate

39. The retail price index is used to \_\_\_\_\_.

- A. construct price lists
- B. compare shop prices
- C. measure changes in the cost of living
- D. compare the differences between wholesalers price and retailers price

40. A sharp decrease in the growth rate of the money supply is most likely to be followed by\_\_\_\_\_.

- A. a decline in economic activity
- B. an upswing in the business cycle
- C. inflation
- D. hyper inflation

41. Which of the following statements is true?

- A. Inflation is defined as a continual increase in the money supply relative to a continual decrease in demand.
- B. Inflation is a condition of a continually rising level of price.
- C. The inflation rate is measured as the rate of change in the aggregate price level.
- D. All of the above
- E. B and C

42. Paper money which is NOT backed up by gold or any other valuable metal is known as \_\_\_\_\_

- A. fake money
- B. fiduciary issue
- C. quasi-money
- D. standard coin

43. Demand pull inflation may be caused by \_\_\_\_\_.

- A. an increase in costs
- B. a reduction in interest rate
- C. a reduction in government spending
- D. an outward shift in aggregate supply

44. Which of the following is a legal tender?

- A. Bank notes
- B. Bank overdrafts
- C. Bill of exchange
- D. Money order

45. An increase in aggregate demand is more likely to lead to demand pull inflation if \_\_\_\_\_.

- A. aggregate supply is perfectly elastic
- B. aggregate supply is perfectly inelastic
- C. aggregate supply is unit elastic
- D. aggregate supply is relatively elastic

46. Money is a very poor store of value in a period of \_\_\_\_\_.

- A. deflation
- B. stable price
- C. recession
- D. inflation

47. One of the following is NOT a concept used when discussing inflation?

- A. Deflation
- B. Slumpflation

- C. Inflationary spiral
- D. Inflationary hike

48. Who among the following will benefit from inflation?

- A. Pensioners.
- B. Savers.
- C. Debtors.
- D. Creditors.
- E. Salary earners.

49. Which of the following can serve as a store of value?

- A. Land
- B. Money
- C. Gold
- D. All of the above

50. A fall in interest rate is likely to \_\_\_\_\_.

- A. increase aggregate demand
- B. increase savings
- C. decrease consumption
- D. decrease exports

51. Fiduciary money means \_\_\_\_\_.

- A. money deposited in a customers' current account with the commercial bank
- B. money backed by the law of the country
- C. money held in trust and invested on behalf of a beneficiary.
- D. money deposited in a customers' savings account with the commercial bank

52. In which of the following ways has inflation adversely affected the country's economy?

- A. Increase in money supply
- B. A fall in real income
- C. Appreciation in the value of money
- D. Increased employment

53. Bad money has a tendency to drive out good money theory/law was propounded by \_\_\_\_\_.

- A. David Ricardo
- B. Ibn Khaldun
- C. J.S. Mill
- D. Thomas Gresham

54. Which of the following is NOT a quality of money?

- A. Durability
- B. Divisibility
- C. Portability
- D. Medium of exchange

55. The most correct index for measuring changes in the value of money is \_\_\_\_\_.

- A. value index number
- B. volume index numbers
- C. factor price index
- D. retail price index

56. The most effective control of inflation is by \_\_\_\_\_

- A. increasing the output of goods and services
- B. wage freeze in the labour market

- C. maximum price legislation in commodity markets
- D. increasing the supply of money in circulation

57. An increase in both the legal reserve ratio and discount ratio have the effect of \_\_\_\_\_.

- A. increasing the quantity of money in circulation
- B. decreasing the quantity of money in circulation
- C. increasing the value of money
- D. decreasing the value of money

58. To reduce the supply of money, the government could \_\_\_\_\_.

- A. reduce interest rates
- B. buy back government bonds
- C. sell government bonds
- D. encourage banks to lend

59. The formular for calculating price index is

- A.  $\frac{\text{current price}}{\text{base year price}} \times 100 / 1$
- B.  $\frac{\text{Base year price} \times 100}{\text{Current price} \times 1}$
- C.  $\frac{\text{Current price} \times \text{base year price}}{100}$
- D.  $\frac{\text{Current price} \times 100}{\text{weighted price} \times 1}$

60. An increase in the growth rate of the money supplied is most likely to be followed by \_\_\_\_\_.

- A. a recession
- B. a decline in economic activities
- C. inflation
- D. deflation



61. The function of money which enables it to be used in determining the worth of goods and services is known as

- A. unit of account
- B. medium of exchange
- C. standard of deferred payment
- D. store of value

62. Which of the following payment instruments is least efficient from society's point of view?

- A. Cash
- B. Bank drafts
- C. Credit cards
- D. Cheque

63. Which of the following is the most liquid asset to a commercial bank?

- A. Cash
- B. Commercial bills
- C. Money at call and short notices
- D. Stocks and shares

64. The indicator of the value of money in the market is \_\_\_\_\_.

- A. consumer's income
- B. the general price level
- C. effective demand
- D. effective supply

65. Open Market Operations occur when the government \_\_\_\_\_.

- A. reduces the interest rate
- B. buys and sells bonds and their securities

- C. increases the interest rate
- D. increases taxation

66. Excluding required reserves, the sum of vault cash and bank deposits with the Central Bank of Nigeria is called \_\_\_\_.

- A. the monetary base
- B. money supply
- C. excess reserves
- D. total reserves
- E. money chain

67. Which of the following assets is most liquid?

- A. Two-year treasury bonds.
- B. Shares of common stock.
- C. Cash in bank.
- D. Gold bars.

68. The speculative demand for money occurs when \_\_\_\_.

- A. individuals hold money in case of an emergency
- B. individuals hold money to buy things
- C. individuals hold money for investment in shares and bonds
- D. individuals hold money to shop

69. A real value can be derived from a nominal value by \_\_\_\_.

- A. adjusting for changes over time
- B. adjusting for data collection errors
- C. adjusting for population changes
- D. adjusting for changes in prices

70. Which of the following statements is NOT true of legal tender?

- A. Its most common form is the bank note and coin.
- B. It is used to meet financial obligations.
- C. It must be accepted by a debtor as payment for a debt.
- D. It is backed by the law of the country.

71. Inflation is most often caused by \_\_\_\_\_.

- A. supply side forces such as oil prices which increases costs to producers
- B. demand side forces which depress the level of consumer spending
- C. rapid expansion of the money supply
- D. unreasonable wage demands on the part of labour unions
- E. too much savings

72. Inflation \_\_\_\_\_.

- A. reduces the cost of living
- B. increases the standard of living
- C. reduces the price of products
- D. reduces the purchasing power of the naira

73. The most important attribute of money is \_\_\_\_\_.

- A. homogeneity
- B. relative scarcity
- C. divisibility
- D. general acceptability

74. The purchasing power of the Naira will fall when \_\_\_\_\_.

- A. the Naira is devalued
- B. salaries and wages are reduced
- C. there is inflation

- D. there is deflation
- E. there is overpopulation

75. Money is most notable in its use as a \_\_\_\_\_.

- A. unit of account
- B. measure of value
- C. medium of exchange
- D. store of value
- E. standard of deferred payment

76. A tin of milk was 12k in 1987, by 1988, the price rose to 15k. What is the price index?

- A. 120
- B. 125
- C. 128
- D. 132

77. Which of the following measures can be used to control inflation?

- A. Decrease in bank rate
- B. Deficit budgeting
- C. Increase in the cost of production
- D. Surplus budgeting

78. Which of the following is NOT a characteristic of money?

- A. It is durable.
- B. It is scarce.
- C. It is a unit of account.
- D. It is paper money.

79. The effects of inflation on the price competitiveness of a country's products may be offset by \_\_\_\_\_.

- A. an appreciation of the currency
- B. a revaluation of the currency
- C. a depreciation of the currency
- D. lower inflation abroad

80. The incidence of coincidence of wants is concerned with \_\_\_\_.

- A. barter transactions being relatively costly, but necessary
- B. the possibility of finding someone who has what you want, and requires what you have
- C. the possibility of finding someone who has what you want at a lesser price than others are offering
- D. the possibility of finding someone or people who have the same needs as you do
- E. all of the above

81. Which of the following statements is NOT true of an inflationary period?

- A. Wages rise simultaneously with prices.
- B. The purchasing power of money falls.
- C. More money runs after a limited quantity of goods.
- D. Money supply increases.
- E. Aggregate real demand exceeds aggregate real supply.

82. Inflation can be controlled by increasing \_\_\_\_\_.

- A. aggregate supply
- B. government expenditure
- C. aggregate demand
- D. a deficit budget

83. The real interest rate is defined as \_\_\_\_\_.

- A. the actual interest rate plus the rate of inflation
- B. the actual interest rate minus the rate of inflation
- C. the actual rate people pay rather than the advertised rate
- D. depositing rate minus withdrawal rate
- E. none of the above

84. The function of money as a unit of account is also called \_\_\_\_\_.

- A. medium of exchange
- B. measure of value
- C. store of value
- D. standard of deferred payment

85. The total stock of money available for use in an economy is \_\_\_\_\_.

- A. a function of money
- B. a characteristics of money
- C. the demand for money
- D. the supply of money

86. The following are causes of deflation EXCEPT \_\_\_\_\_.

- A. deficit budgeting
- B. increase in bank rate
- C. increase in taxation
- D. surplus budgeting

87. The speculative motive for holding money is based on the function of money as a \_\_\_\_\_.

- A. store of value
- B. measure of value

- C. medium of exchange
- D. unit of account

88. Trade by barter requires \_\_\_\_\_.

- A. division of labour
- B. unlimited wants
- C. indivisibility of goods
- D. a double coincidence of wants

89. An increase in injections into the economy may lead to \_\_\_\_\_.

- A. an outward shift of aggregate demand and demand pull inflation
- B. an outward shift of aggregate demand and cost push inflation
- C. an outward shift of aggregate supply and demand pull inflation
- D. an outward shift of aggregate supply and cost push inflation

90. Monetary policy consists of \_\_\_\_\_.

- A. controlling taxes to influence consumer and business spending
- B. influencing the availability of bank credit by changing interest rates
- C. adjusting the level of government expenditures to stimulate economic activity
- D. influencing the availability of bank credit through increases in tax

91. Which of the following is NOT true? The value of money \_\_\_\_\_.

- A. increases when there is an increase in the price level
- B. is dependent on the price level
- C. is the satisfaction money yields as a final good
- D. decreases when there is an increase in the price level

92. Which of the following forms of money is NOT a near money?

- A. Bank deposit
- B. Bank draft
- C. Money order
- D. Paper money

93. Under which of the following situations should borrowing be encouraged?

- A. The interest rate is 20% and expected inflation rate is 15%.
- B. The interest rate is 4% and expected inflation rate is 1%.
- C. The interest rate is 13% and expected inflation rate is 15%.
- D. The interest rate is 10% and expected inflation rate is 15%.
- E. All of the above.

94. The motive behind the demand for money for day to day expenses is called \_\_\_\_ motive.

- A. transactionary
- B. precautionary
- C. qualitative
- D. speculative

95. What happens to bond prices when market interest rates rise?

- A. Bond prices must rise.
- B. Bond prices must fall.
- C. Bond prices will remain the same.
- D. None of the above.

96. Which of the following is NOT a legal tender?

- A. A dime
- B. ₦20



- C. An account withdrawal slip
- D. ₦1,000

97. Which of the following is NOT a term related to money?

- A. Legal tender.
- B. Solid money.
- C. Convertible money.
- D. Standard coin.
- E. Inconvertible money.

98. Cheques are not money because \_\_\_\_\_.

- A. their use is confined to business hours
- B. they are generally accepted in the urban areas, but not the rural areas
- C. they are not generally acceptable as a medium of exchange
- D. they are not issued by government

99. Monetary policies do NOT involve \_\_\_\_\_.

- A. increasing import duties
- B. buying or selling treasury bills by the Central Bank
- C. printing of more currency notes
- D. increasing or decreasing cash reserve ratio

100. When inflation is due to excess demand, it is called \_\_\_\_\_.

- A. demand - push inflation
- B. stagflation
- C. demand - pull inflation
- D. excess demand inflation

101. In the seventies, the level of price in Nigeria doubled. This implies that as a \_\_\_\_\_, money functioned very poorly.

- A. measure of value
- B. unit of account
- C. means of payment
- D. store of value

102. Which of the following is NOT true of legal tender?

- A. It is recognised by the law of the country.
- B. It is a medium of exchange.
- C. It is used to meet financial obligations.
- D. Paper currencies and coins are common forms of legal tender.
- E. None of the above.

103. Which of the following is a problem of trade by barter?

- A. Exchange rate determination.
- B. Hoarding.
- C. How to produce.
- D. What to produce.

104. Due to fear that Nigeria is about to enter a long period of stagnant growth, stock prices fall by 50% on average. What will likely happen to the spending pattern of consumers?

- A. Spending will probably increase.
- B. Spending will probably fall.
- C. Spending will be unaffected.
- D. The change in spending will be ambiguous.

105. Which of the following is NOT a characteristic of money?

- A. Durability
- B. Portability
- C. Medium of exchange
- D. General acceptability

## TOPIC: PRODUCTION AND THE THEORY OF COST

***DIRECTION: Choose the correct answer from the lettered options.***

1. An economy may produce outside the production possibility curve if \_\_\_\_
  - A. it is not utilising its resources fully
  - B. it is being productively efficient
  - C. it is a mixed economy
  - D. it is trading with other economies
  
2. If Marginal Cost is positive and falling: \_\_\_\_\_.
  - A. Total Cost is falling
  - B. Total Cost is increasing at a falling rate
  - C. Total cost is falling at a falling rate
  - D. Total Cost is increasing at an increasing rate
  
3. If Total Cost increases from N500 to N600 and output increases from 20 to 30 units. Fixed costs are N200. Which of the following is true?
  - A. Marginal Cost is N20
  - B. Average Cost falls
  - C. Variable Cost rises by N100
  - D. Average Fixed Cost is N10
  
4. Which of the factors of production is referred to as a man-made aid to production?
  - A. Land
  - B. Capital
  - C. Labour
  - D. Entrepreneurship

5. The ability of labour to move from one industry to another is called \_\_\_\_\_ mobility
- A. geographical
  - B. horizontal
  - C. industrial
  - D. occupational
6. If Marginal product is greater than Average Product: \_\_\_\_\_.
- A. Average product will fall
  - B. Total Product will fall
  - C. Average Product will rise
  - D. output per person will decrease
7. Production is important to the economy in the following ways EXCEPT \_\_\_\_\_.
- A. employment creation
  - B. encouraging scarcity
  - C. higher standard of living
  - D. improvement in stock of wealth
8. The long run is a period during which \_\_\_\_\_.
- A. a firm cannot vary its factors of production
  - B. a firm ceases to be an infant industry
  - C. a firm can vary all its factors of production
  - D. long term loans are payable
9. A production possibility curve shows the amount of \_\_\_\_\_.
- A. resources used to produce a particular commodity
  - B. goods that can be exported from the country within a given period
  - C. various combinations of two commodities that can be produced
  - D. labour resources that can be utilised for maximum production
  - E. unskilled, skilled and semi-skilled labour that can be best combined for production

10. What is the total output in tonnes when the fourth man is employed?

Unit of land (in acres)	Number of men employed	Total output of rice (in 000 tonnes)	Marginal Output (in 000 tonnes)	Average Output (in 000 tonnes)
1	1	40	-	40
1	2	100	60	?
1	3	240	?	80
1	4	?	160	100
1	5	550	?	110

- A. 400,000
- B. 500,000
- C. 720,000
- D. 770,000

11. The first level of output at which the long run Average Costs are minimised is called \_\_\_\_\_.

- A. the minimum efficient scale
- B. the minimum external scale
- C. the maximum external scale
- D. the maximum effective scale

12. Economic growth can be shown by?

- A. An inward shift of the production possibility curve
- B. A movement down the production possibility curve
- C. An outward shift of the production possibility curve
- D. A movement up the production possibility curve

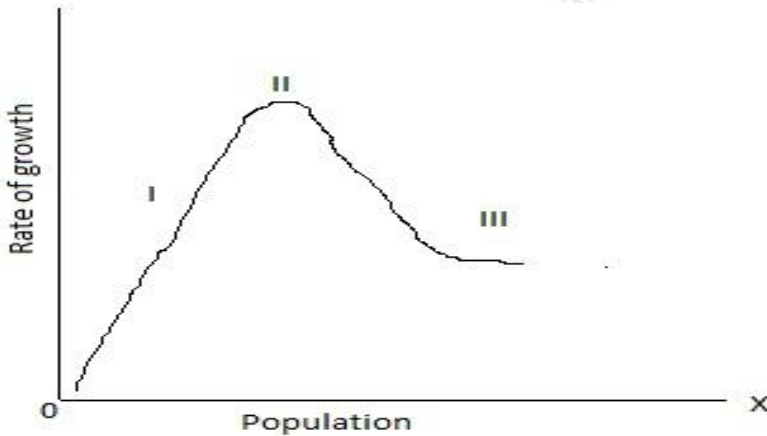
13. The Average Variable Cost (AVC) \_\_\_\_\_.

- A. is derived from the Average Fixed curve
- B. converges with the Average Cost as output increases
- C. equals the Total Costs divided by the output
- D. equals revenue minus profits

14. The law of diminishing returns assumes that \_\_\_\_.

- A. there are no fixed factor of production
- B. there are variable factors of production
- C. utility is maximised when Marginal Product falls
- D. some factors of production are fixed

15. In the diagram, the area labelled II represents \_\_\_\_\_ population.



- A. decreasing
- B. increasing
- C. optimum
- D. over

16. Which of the following is an example of consumer goods?

- A. Coal
- B. Crude oil
- C. Leather
- D. Radio

17. Given that fixed cost is ₦500.00, variable cost is ₦1,500.00 and output is 50 units. What is the average cost of producing one unit?

- A. ₦40.00
- B. ₦50.00

C. ₦70.00

D. ₦90.00

18. What does the Average Cost measure?

A. The cost per unit

B. The Total Costs

C. The cost per employee

D. The extra cost of producing one more unit

19. Which of the following explains marginal costs?

A. Overhead costs plus variable cost resulting from production.

B. The average cost of producing more units of a product.

C. The extra cost of producing more units of a given product.

D. The extra cost of producing one more unit of a given product.

20. Large-scale production has been encouraged by \_\_\_\_.

A. an improvement in transport and communication

B. a rise in people's income

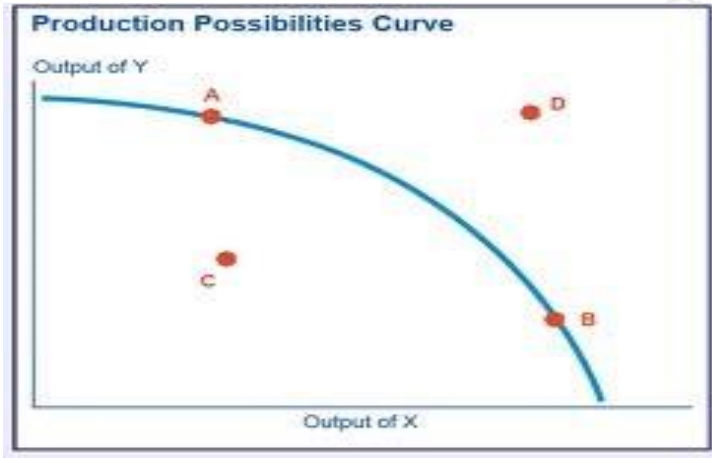
C. an increase in population

D. increase in demand

E. all of the above



21. The diagram is the production possibilities curve for an economy. If the economy is producing at point C, which of the following must be true



- I. The economy is not fully employing all its resources
- II. The economy can increase the production of good X only if it decreases the production of good Y
- III. The economy can move to the curve without changing current techniques of production.

- A. I only
- B. II only
- C. I and III
- D. II and III only

22. Mono-product economies are those that \_\_\_\_.

- A. have a rich cultural heritage
- B. produce only raw materials
- C. live solely on the exportation of several products
- D. produce and export one main commodity

23. Which of the following is NOT classified as capital as a factor of production?

- A. Machinery.
- B. Offices and factories.

- C. Physical effort by workers.
- D. Roads.

24. Which of the following will occur according to the Malthusian theory if population is not checked?

- A. Food will grow at arithmetic progression.
- B. The poor will attack the rich.
- C. A change in government will occur.
- D. There will be famine and misery.

25. The best method of production in an underpopulated country is

- A. labour-intensive
- B. labour-extensive
- C. land-intensive
- D. capital-intensive

26. If a company doubles all its inputs and discovers that its output more than doubles, we can say that the company is experiencing \_\_\_\_.

- A. increasing marginal utility
- B. diseconomies of scale
- C. increasing returns to scale
- D. constant returns to scale

27. The major function of an entrepreneur is \_\_\_\_.

- A. price determination
- B. capital mobilisation
- C. risk bearing
- D. employment of labour

28. Capital as a factor of production is important because \_\_\_\_.

- A. it enables us to carry out tasks which cannot be done by human effort only
- B. without it, every other factor of production is useless

- C. it involves using both physical and mental efforts in the production process
- D. it is responsible for combining the other resources for maximum production
- E. it creates wealth which is essential for the growth of business

29. In the study of Economics, the factors of production are \_\_\_\_\_ in the production process to create commodities.

- A. over-utilised
- B. under-utilised
- C. combined
- D. unlimited

30. Which of the following is NOT considered to be an important determinant of productivity?

- A. The available amount of physical capital.
- B. The growth rate of the money supply.
- C. The available amount of natural resources.
- D. The level of technological knowledge.
- E. The skills possessed by human capital.

31. Capital goods which either changes its form or is used up in the process of production is known as \_\_\_\_\_ capital

- A. circulating
- B. fixed
- C. paid up
- D. social

32. \_\_\_\_\_ goods yield utility over time, have money value and are limited in supply.

- A. Consumer
- B. Wholesale

- C. Permanent
- D. Durable

33. Given that fixed cost = 150, variable cost = 350 and quantity = 20 units. What is the average cost?

- A. 10
- B. 20
- C. 25
- D. 50

34. If Marginal Costs is positive but falling: \_\_\_\_\_.

- A. Total Cost will rise at a constant rate
- B. Total Costs will rise at an increasing rate
- C. Total Costs will rise at a decreasing rate
- D. Total Costs will be negative

35. Decreasing returns to scale implies that if all factors of production are doubled, output will \_\_\_\_\_.

- A. more than double
- B. less than double
- C. be doubled
- D. be unchanged

36. A fall in price \_\_\_\_\_.

- A. will cause an inward shift of the demand curve
- B. will cause an outward shift of the supply curve
- C. may be caused by a fall in demand
- D. leads to a higher level of production

37. Technical progress that leads to reduction in cost results in \_\_\_\_\_.

- A. an increase in equilibrium price and quantity
- B. a decrease in equilibrium price and quantity
- C. an increase in equilibrium price and decrease in equilibrium quantity
- D. a decrease in equilibrium price and an increase in equilibrium quantity

38. Cost incurred by a firm which is unavoidable, whether in production or not, is referred to as \_\_\_\_\_.

- A. prime cost
- B. variable cost
- C. marginal Cost
- D. fixed Cost
- E. average cost

39. If firms earn normal profit: \_\_\_\_\_.

- A. they will aim to leave the industry
- B. other firms will join the industry
- C. the Total Revenue equals Total Costs
- D. No profit is made in accounting terms

40. Production is best defined as the \_\_\_\_\_.

- A. manufacturing of goods by large factories
- B. use of man and machines to produce goods
- C. creation of utility
- D. rendering of pre-sale and after-sale services
- E. all of the above

41. Price equals \_\_\_\_

A. Total Revenue - quantity sold

B.  $\text{Total Revenue} / \text{quantity sold}$

C. Total quantity x quantity sold

D.  $\text{Total Revenue} / \text{Total Cost}$

42. An outward shift of the production possibility curve may be caused by \_\_\_\_

A. an increase in demand

B. more government spending

C. better training of employees

D. productive inefficiency

43. The reward for capital is \_\_\_\_.

A. rent

B. wages

C. principle

D. interest

E. profit

44. When internal economies of scale occur: \_\_\_\_.

A. Total Costs falls

B. Marginal Costs increases

C. Average Costs fall

D. revenue falls

45. When marginal product (MP) and average product (AP) are equal, \_\_\_\_.

A. MP is maximised

B. AP is maximised

- C. AP is minimised
- D. MP is minimised

46. Which of the following is NOT true about the entrepreneur?

- A. His reward is interest.
- B. He bears all the risk involved in the business.
- C. He takes business decisions.
- D. He organises other factors of production to achieve maximum production.
- E. He finances the business.

47. The reward to land as a factor of production is \_\_\_\_\_.

- A. profit
- B. rent
- C. interest
- D. wage

48. \_\_\_\_\_ is a term used to describe the merging of firms, in the same industry, engaged in different stages of production and marketing.

- A. External economics of scale
- B. Vertical integration
- C. Horizontal integration
- D. Parallel integration

49. The resources in an economy does NOT include

- A. demand
- B. land
- C. labour
- D. capital

50. Which of the following is NOT true?

- A.  $TC = TFC + TVC$
- B.  $ATC = AVC + AFC$
- C.  $AFC = \frac{TFC}{Q}$
- D.  $TVC = \frac{AVC}{Q}$

51. The law of diminishing returns assumes all of the following, except \_\_\_\_\_.

- A. a variable factor of production is continuously being increased by a constant amount
- B. all, but one factor of production is held fixed in quantity
- C. total product and average product fall towards zero, while marginal product becomes negative
- D. each extra variable factor added yields more and more addition to the total output
- E. none of the above

52. The table shows the short run cost of a firm. What is the firm's marginal cost for the third item produced?

QUANTITY	FIXED COST	VARIABLE COST	TOTAL COST	MARGINAL COST	AVERAGE COST
1	750	200	950		950
2	750	560	1310	360	165
3	750	900	1650	?	550

- A. N350
- B. N340
- C. N360
- D. N370
- E. N505



53. If successive units of labour are added to a piece of land while capital and technology remain constant, a point will be reached in the level of production when each additional unit of labour will add less to the output than previous units. This concept is called the \_\_\_\_.

- A. law of constant returns
- B. law of diminishing marginal utility
- C. law of diminishing returns
- D. law of increasing returns

54. Assume that one input of a production process is continuously increased by a constant amount while other inputs are held fixed in quantity. The resulting increases begin to diminish after a certain period of time. This production function would be said to exhibit \_\_\_\_.

- A. decreasing returns to scale
- B. constant returns to scale
- C. increasing returns to scale
- D. a zero return to scale

55. Any combination of products inside the production possibility curve is

- A. allocatively inefficient
- B. X inefficient
- C. consumer inefficient
- D. productively inefficient

56. The reward of entrepreneurship is \_\_\_\_\_.

- A. rent
- B. profit
- C. capital
- D. interest
- E. wage

57. A firm is said to have benefitted from external economies in production if it has realised \_\_\_\_\_.

- A. a more efficient management of resources
- B. a better combination of factors of production
- C. reduced resource costs due to operation of other firms
- D. a higher profit level due to increased sales

58. Which of the following is NOT a disadvantage of the specialisation and division of labour?

- A. Decline in craftsmanship.
- B. Loss of interest.
- C. Greater risk of unemployment.
- D. Increase in skills and expertise.

59. Given that the Total Fixed Cost is ₦1,000, Total Variable Cost ₦2,500 and the output equals 100 units. Find the Average Total Cost of producing one unit.

- A. ₦60
- B. ₦45
- C. ₦35
- D. ₦30
- E. ₦25

60. What will happen to marginal product when more units of a variable factor are added to a fixed factor?

- A. It will remain constant
- B. It will decrease, get to the bottom and start increasing
- C. It will double
- D. It will increase, reach optimum and start decreasing

61. Fixed costs are \_\_\_\_\_.  
A. constant, regardless of output level  
B. incurred periodically  
C. diagrammatically, a straight line parallel to the x-axis  
D. all of the above

62. If Marginal Product is below Average Product: \_\_\_\_\_.  
A. the Total product will fall  
B. the Average Product will fall  
C. Average Variable Cost will fall  
D. Total Revenue will fall

- 63 Which of the following is NOT a factor that encourages the emergence of large scale enterprise?  
A. Improvement in technology.  
B. Decrease in population.  
C. Increase in income.  
D. Improvement in transport and communication.  
E. Emergence of limited liability companies.

64. How many men were employed when marginal output was at the maximum?

Unit of land (in acres)	Number of men employed	Total output of rice (in 000 tonnes)	Marginal Output (in 000 tonnes)	Average Output (in 000 tonnes)
1	1	40	-	40
1	2	100	60	?
1	3	240	?	80
1	4	?	160	100
1	5	550	?	110

- A. 1

- B. 2
- C. 3
- D. 4
- E. 5

65. Which of the following is true?

- A. If the Marginal Cost is greater than the Average Cost, the Average Cost falls
- B. If the Marginal Cost is greater than the Average Cost, the Average Cost increases
- C. If the Marginal Cost is positive, Total Cost is maximised
- D. If the Marginal Cost is negative, Total Cost increases at a decreasing rate if output increases

66. The average output in tonnes when marginal output is 60,000 is \_\_\_\_.

- A. 30,000
- B. 40,000
- C. 50,000
- D. 100,000
- E. 60,000

67. Which of these features is peculiar to land as a factor of production?

- A. It is a resource.
- B. It is a man-made aid to production.
- C. It is highly immobile.
- D. It has a reward.

68. In production, goods and services must possess \_\_\_\_\_.

- A. colour
- B. quantity

- C. utility
- D. beauty

69. Which of the following is NOT true about production?

- A. It is the creation of goods.
- B. It involves the rendering of services.
- C. Resources are used up in production.
- D. It uses only nature's free gifts.

70. To the economist, cost has to do with \_\_\_\_\_.

- A. optimal allocation of scarce resources
- B. actual monetary flows
- C. a record of transaction in Naira and kobo
- D. the price paid for goods and services

71. Efficiency of labour can be measured through \_\_\_\_\_.

- A. division of labour
- B. height of labour
- C. labour leisure
- D. labour output

72. As output increases, the average fixed cost (AFC) curve \_\_\_\_\_.

- A. falls at first but rises later
- B. falls continuously
- C. remains constant
- D. rises at first, but falls eventually

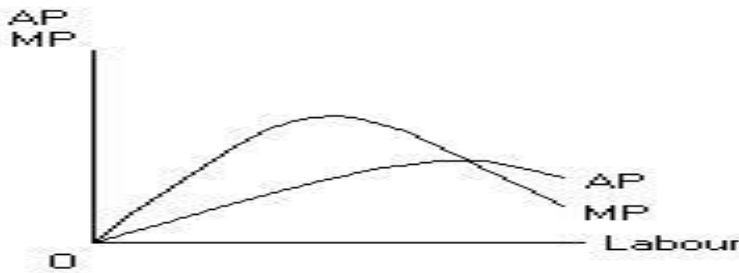
73. Marginal cost is the \_\_\_\_\_.

- A. cost of producing an extra unit of a good
- B. overall cost of production less the variable cost
- C. cost of producing one unit of output
- D. lowest cost of producing goods

74. Cost borne by the general public which results from activities of others is referred to as \_\_\_\_\_ cost.

- A. fixed
- B. money
- C. real
- D. social

75. Which principle is illustrated by the graph above?



- A. The law of comparative cost.
- B. The law of diminishing marginal utility.
- C. The law of diminishing returns.
- D. The Malthusian law of population.
- E. The law of supply.

76. When the marginal cost of a firm equals its marginal revenue, the firm is said to be \_\_\_\_\_.

- A. producing at a loss
- B. at a break-even point
- C. making the least profit
- D. maximizing profit
- E. maximising losses

77. Which of the following is NOT an advantage of the specialisation and division of labour?

- A. Increase in output.
- B. Saving of time.
- C. Increase in skill and performance.
- D. Use of fewer tools.
- E. Monotony of work.

78. Division of labour means \_\_\_\_\_.

- A. dividing labour into different categories
- B. splitting the process of production into different parts to be completed by each person
- C. dividing goods and/or services into different sections
- D. assigning different duties to labourers in the labour market
- E. a group of labourers working in a factory or shop

79. If an economy moves from producing 20 units of Z and 8 units of Y to producing 14 Zs and 9 Ys. The opportunity cost of producing the 9th Y is \_\_\_\_\_

- A. 14 Zs
- B. 20 As

C. 6 Zs

D. 1 A

80. At a point, firms stop growing because of \_\_\_\_\_.

Fixed Unit of Land	Variable Units of Labour	TP	MP
5	1	10	10
5	2	25	15
5	3	X	21
5	4	60	14
5	5	73	13
5	6	82	Y

A. poor infrastructural development

B. limited managerial ability available to the enterprise

C. rise in cost resulting from complexity that is consequent on expansion

D. all of the above

81. If Marginal Revenue equals Marginal Cost: \_\_\_\_\_.

A. no profit is made

B. abnormal profit is realised

C. profit is maximised

D. profit is minimised

82. A short-run period in production is a period too short for a firm to be able to change its \_\_\_\_\_.

A. scale of operation

B. total revenue

C. variable inputs

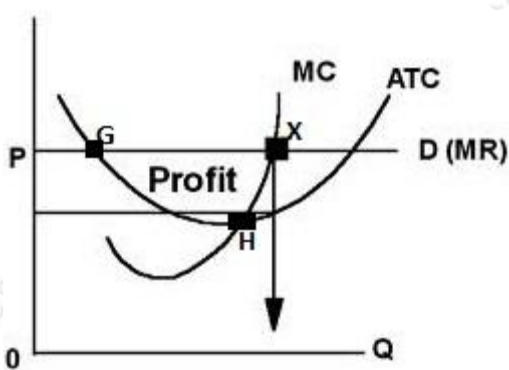
D. total outputs



83. Which of the following is NOT an output from primary production?

- A. Crude oil
- B. Limestone
- C. Palm kernel
- D. Cement

84. The profit maximising price and quantity for the firm whose cost and revenue curves is shown will be which of the following points?



- A. G
- B. X
- C. H
- D. P

85. As the transaction costs of selling an asset rises, the asset is said to become \_\_\_\_.

- A. more valuable
- B. more liquid
- C. less liquid
- D. more productive

86. Division of labour may be restricted when \_\_\_\_.

- A. producers increase output

- B. the market is small
- C. there is under-employment
- D. there is full employment

87. According to the law of diminishing returns: \_\_\_\_\_.

- A. the Marginal Product falls as more units of a variable factor are added to a fixed factor
- B. Marginal Utility falls as more units of a product are consumed
- C. the Total Product falls as more units of a variable factor are added to a fixed factor
- D. the Marginal Product increases as more units of a variable factor are added to a fixed factor

88. Total Revenue equals \_\_\_\_

- A. price plus quantity
- B. price multiplied by quantity
- C. price divided by quantity
- D. price minus quantity sold

89. The short-run is a production period in which \_\_\_\_\_.

- A. at least one factor of production is fixed
- B. all factors of production are variable
- C. more than one factor is fixed
- D. all factors of production are fixed

90. If Marginal Revenue is less than the Marginal Cost, then to maximise profit, a firm should \_\_\_\_\_.

- A. reduce output

- B. increase output
- C. leave output where it is
- D. increase cost

91. In Economics, the reward for labour is in the form of \_\_\_\_\_.

- A. wages
- B. profits
- C. rent
- D. interests

92. If TC, FC and VC represent total cost, fixed cost and variable cost respectively, which of the following is correct?

- A.  $TC = FC - VC$
- B.  $FC = TC + VC$
- C.  $TC > FC + VC$
- D.  $TC = FC + VC$

93. Which of the following would be used to measure efficiency of labour?

- A. Input-Output ratio
- B. Price level
- C. Supply of labour
- D. Labour turnover

94. Tertiary production involves \_\_\_\_\_.

- A. the production of goods in their very natural form
- B. the use of raw materials to produce new commodities
- C. the distribution of what has been produced
- D. the production of basic raw materials
- E. the processing of semi-finished goods

95. The entrepreneur performs the following functions EXCEPT \_\_\_\_\_.

- A. branding and packaging
- B. decision making
- C. stock breaking
- D. management and control

96. Efficiency of resource utilisation is attained when \_\_\_\_\_.

- A. production is carried out at a minimum cost
- B. a combination of goods can be produced with available resources
- C. the maximum output is achieved from a given resource
- D. one commodity is sacrificed for the production of another

97. In the history of economic thought, the concept of division of labour is usually associated with \_\_\_\_\_.

- A. David Richardo
- B. J.M. Keynes
- C. Adams Smith
- D. Karl Marx
- E. Reverend Thomas Malthus

98. The marginal output in tonnes when output is 240,000 is \_\_\_\_\_.

Unit of land (in acres)	Number of men employed	Total output of rice (in 000 tonnes)	Marginal Output (in 000 tonnes)	Average Output (in 000 tonnes)
1	1	40	-	40
1	2	100	60	?
1	3	240	?	80
1	4	?	160	100
1	5	550	?	110

- A. 110,000
- B. 120,000

- C. 140,000
- D. 170,000

99. Greater inter-dependence among workers in production is associated with \_\_\_\_\_.

- A. utility
- B. manufacturing
- C. division of labour
- D. factory workers

100. Let TC, FC and VC stand for Total Cost, Fixed Cost and Variable Cost respectively. Which of the following is correct?

- A.  $TC = FC - VC$
- B.  $FC = TC + VC$
- C.  $TC \geq FC$
- D.  $TC = FC + VC$
- E.  $VC = TC + FC$

101. Which of the following guarantees abnormal profits?

- A. When Marginal Cost is greater than Marginal Revenue
- B. When Total Revenue is greater than Total Variable Cost
- C. When Average Revenue is greater than Average Costs
- D. When Average Revenue is greater than Marginal Costs

102. The underlying idea under the specialisation of labour is \_\_\_\_\_.

- A. the increase in output depends on the particular skill of an individual
- B. concentrating on specific tasks handled by different individuals
- C. one does a job constantly which has the advantage of saving of time
- D. one makes use of fewer tools than human efforts

103. What does Marginal Product of labour measure?

- A.  $\frac{\text{Total Output}}{\text{Number of employees}}$
- B. Total Output per worker
- C. The extra output produced when you hire another employee
- D. The Total Output of employees

104. A tent-making factory offers \_\_\_\_\_.

- A. personal services
- B. indirect services
- C. social services
- D. reflex services

105. As resources are shifted from one industry to another, this can be shown by \_\_\_\_

- A. an inward shift of the production possibility curve
- B. a movement along the production possibility curve
- C. an outward shift of the production possibility curve
- D. an outward shift in the demand curve for the products

106. Occupational mobility as applied to the factors of production means the ease by which factors can be \_\_\_\_\_.

- A. transferred from one level of hierarchy to another
- B. transferred from one productive activity to another
- C. transformed from one form to another
- D. transferred from one place to another

107. The resources in an economy are \_\_\_\_\_

- A. constantly changing
- B. fixed at any moment

- C. constantly decreasing
- D. cannot be transferred

108. Average cost is the \_\_\_\_\_.

- A. total cost of production
- B. extra cost of producing one additional unit
- C. the cost of producing a unit of output
- D. variable cost incurred in producing a unit of output

109. If an economy is productively efficient:

- A. everyone is wealthy
- B. resources are unemployed
- C. more of one product can only be produced if less of another is produced
- D. the distribution of income is equal

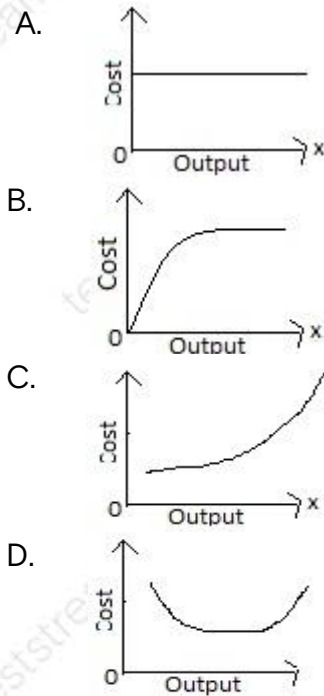
110. Which of the following factors of production is the most mobile?

- A. Entrepreneur
- B. Capital
- C. Land
- D. Labour

111. In the short run, a firm will produce provided the revenue \_\_\_\_\_.

- A. covers Fixed Costs
- B. covers Variable Costs
- C. covers Total Cost
- D. covers revenue

112. Which of the cost diagram in the options represents variable cost?



113. Division of labour means \_\_\_\_\_.

- A. organising people involved in a production process to operate different functions effectively
- B. all the people involved in a production process operate the same function to boost productivity
- C. engaging different people in different occupations irrespective of the skills and expertise
- D. an individual attempts to produce everything
- E. none of the above

114. The factors of production include \_\_\_\_.

- A. price, product, place and promotion
- B. land, labour, capital, and entrepreneur
- C. manpower, money, materials and methods
- D. rent, wages, interest, and profits
- E. land, money, market, and middlemen



## TOPIC: PUBLIC FINANCE AND FISCAL POLICY

***DIRECTION: Choose the correct answer from the lettered options.***

1. The incidence of an increase in tax on a commodity with perfectly inelastic demand will be on the \_\_\_\_.

- A. producer
- B. retailer
- C. government
- D. consumer

2. A tax is defined as regressive if \_\_\_\_.

- A. the proportion of income paid as tax increases as the income level increases
- B. all income groups pay the same percentage of their income as tax
- C. the proportion of income taken as tax falls as income increases
- D. the proportion of income taken as tax is fixed as a normal amount for all income groups

3. The yearly money collected by the government in the form of taxes and fines is called \_\_\_\_.

- A. recurrent revenue
- B. capital revenue
- C. subsidies
- D. advances

4. The government policy that involves the use of taxation and expenditure instrument to regulate the economy is known as \_\_\_\_\_ policy.

- A. exchange rate
- B. fiscal

- C. monetary
- D. open market

5. Which of the following is an example of direct tax?

- A. Customs duties
- B. Excise duties
- C. Purchase tax
- D. Mining rents

6. The real interest rate is defined as \_\_\_\_\_.

- A. the actual interest rate plus the rate of inflation
- B. the actual interest rate minus the rate of inflation
- C. the actual rate people pay rather than the advertised rate
- D. the percentage of the principal which is paid or payable over a period of time
- E. none of the above

7. Taxation is \_\_\_\_\_.

- A. a compulsory financial contribution to the government
- B. a voluntary financial donation to the government
- C. all money income accruing to governments
- D. all internal recurrent revenue of the government
- E. all capital expenditure of the government

8. Which of the following is true about interest rate?

- A. It is the cost of using borrowed funds.
- B. It is a key variable that influences investment in capital goods.
- C. It is strongly influenced by monetary policy actions.

- D. It is the percentage of the principal which is paid or payable over a period of time.
- E. All of the above.

9. Fiscal policy entails \_\_\_\_\_.

- A. increasing interest rates
- B. buying or selling of treasury bills by the Central bank
- C. printing of more currency notes
- D. increasing or decreasing cash reserve

10. In regressive tax system, the \_\_\_\_\_.

- A. the amount of tax paid increases with income
- B. the Marginal Rate of Tax (MRT) decreases with income
- C. The Average Rate of Tax (ART) falls as income increases
- D. The Average Rate of Tax (ART) remains constant as income increases

11. Compared with direct taxes, indirect taxes tend to be \_\_\_\_\_.

- A. progressive
- B. proportional
- C. regressive
- D. equitable
- E. none of the above

12. In taxation, the benefit principle requires that \_\_\_\_\_.

- A. those who benefit more from government expenditure be made to pay more taxes
- B. the tax system should allow for changes in time and situations
- C. taxes should be collected at a time convenient for a taxpayer
- D. a taxpayer should be able to work out and know for sure the amount of tax liable
- E. everybody pays an equal amount of tax

13. The most important element of public finance is \_\_\_\_.

- A. loans
- B. bonds
- C. monetary policies
- D. taxation

14. An ad valorem tax means \_\_\_\_.

- A. the total amount of an income tax
- B. a percentage tax on the value of a commodity
- C. a percentage tax on the profit of a company
- D. a tax on property in a foreign country

15. One disadvantage of direct taxes is that they \_\_\_\_.

- A. allocate scarce resources
- B. are not rigid
- C. can be progressive
- D. can be evaded

16. The system of taxation whereby people pay the same percentage of their income as tax is called \_\_\_\_ tax.

- A. proportional
- B. direct tax
- C. regressive
- D. progressive

17. A tax whose rate increases as income is increased is known as \_\_\_\_.

- A. an indirect tax
- B. a progressive tax
- C. a regressive tax

- D. a direct tax
- E. a proportional tax

18. Which of the following statements is true of capital gains tax?

- A. It is a direct tax.
- B. It is equal to declared dividends.
- C. It is an indirect tax.
- D. It is otherwise called capital transfer tax.
- E. It is paid on income.

19. Taxes which are levied on a person's expenditure are known as \_\_\_\_\_.

- A. purchase tax
- B. sales tax
- C. direct tax
- D. income tax

20. A rise in the domestic interest rate is associated with \_\_\_\_\_.

- A. a shift in the expected return schedule for domestic deposits to the right
- B. a shift in the expected return for domestic deposits to the left
- C. a shift in the expected return schedule for foreign deposits to the right
- D. a shift in the expected return schedule for foreign deposits to the left

21. If the economy grows, the government's budget position will automatically \_\_\_\_\_.

- A. worsen
- B. improve
- C. remain the same
- D. increase with inflation

22. A speculative attack against a weak currency might be lessened or eliminated by all of the following except \_\_\_\_\_.

- A. the adoption of capital controls
- B. the taxation of foreign exchange transactions
- C. the adoption of floating exchange rates
- D. the switch from budget surpluses to budget deficits

23. A tax imposed on goods manufactured within a country is called \_\_\_\_\_ tax.

- A. property
- B. capital gains
- C. income
- D. excise

24. All of the following are concepts in the theory and practice of taxation, except \_\_\_\_\_.

- A. tax invasion
- B. tax farming
- C. tax avoidance
- D. tax rebate

25. An exceptionist fiscal policy could include \_\_\_\_\_.

- A. lower interest rates
- B. increased lending by the banks
- C. an increase in corporation tax
- D. an increase in discretionary government spending

26. Which of the following is NOT a term encountered in the theory and practice of taxation?

- A. Tax flow
- B. Tax rate

- C. Tax farming
- D. Tax allowance

27. The budget situation whereby in a fiscal year a government's revenue receipts are less than its expenditure is referred to as \_\_\_\_.

- A. budget deficit
- B. balanced budget
- C. budget surplus
- D. budget statement

28. Which of the following cannot be described as indirect finance?

- A. You take out a mortgage from your bank.
- B. An insurance company lends money to General Motors Corporation.
- C. You borrow ₦1,000 from your best friend.
- D. You buy shares in a mutual fund.

29. Budget surplus implies that \_\_\_\_.

- A. expenditure equals revenue
- B. expenditure is less than revenue
- C. expenditure is greater than taxation
- D. direct tax is more than indirect tax

30. \_\_\_\_ is NOT a form of direct tax.

- A. Income tax
- B. Excise tax
- C. Company tax
- D. Capital transfer tax
- E. Poll tax

31. One of the factors which is likely to check the growth of public debts is \_\_\_\_\_.

- A. bridging the resources gap
- B. debt repudiation
- C. debt rescheduling
- D. debt equity swap

32. Budget deficits can be a concern because they might lead to \_\_\_\_\_.

- A. lower rates of inflation
- B. lower interest rates
- C. higher volume of money in circulation
- D. excesses in revenue over expenditure in future

33. The government of a country derives income through all the following ways, except \_\_\_\_\_.

- A. direct and indirect taxes
- B. proceeds from exports
- C. borrowing
- D. annual budget

34. The budget of Nigeria will be in deficit if government's \_\_\_\_\_ within a fiscal year.

- A. expected revenue exceeds expected expenditure
- B. capital expenditure exceeds recurrent expenditure
- C. recurrent expenditure exceed capital expenditure
- D. expected expenditure exceeds expected revenue



35. Which of the following is an effect in the increase of personal income tax?

- A. Reduces the level of unemployment.
- B. Raises the absolute price level.
- C. Reduces the disposable income.
- D. Distorts the economy.
- E. All of the above.

36. If tax rate is 20% for 3 individuals on highly different salaries, the tax system is said to be \_\_\_\_.

- A. progressive
- B. proportional
- C. ad-valorem
- D. regressive

37. A government might use tax to \_\_\_\_\_.

- A. discourage consumption of normal goods
- B. discourage consumption of public goods
- C. discourage consumption of private goods
- D. discourage consumption of harmful goods

38. Incidence of indirect tax when demand is perfectly inelastic is mainly borne by the \_\_\_\_\_.

- A. consumers
- B. government
- C. producers
- D. retailers

39. The use of legally permissible means to reduce tax liabilities is known as tax \_\_\_\_\_.

- A. evasion
- B. avoidance
- C. relief
- D. exemption
- E. burden

40. Public expenditure creates inflationary pressure in the economy when it is \_\_\_\_\_.

- A. in excess of government revenue
- B. channeled into productive projects
- C. less than government revenue
- D. channeled into agriculture

41. Which of the following is a transfer payment?

- A. Dividend to a shareholder.
- B. Gift to a motherless babies home.
- C. Salary to a worker.
- D. Rent to a landlord.

42. Excise duty is levied on \_\_\_\_\_.

- A. the total population
- B. local products
- C. luxury goods
- D. the working population

43. Which of the following is a reason for government borrowing?

- A. To finance multinational companies.
- B. To finance development plans.
- C. To reduce population.
- D. To protect infant industries.

44. Incidence of taxation refers to the \_\_\_\_\_.

- A. amount collected as taxes
- B. burden of taxation
- C. category of taxes which may be direct or indirect
- D. proportion of a person's income that is paid as tax

45. A chief concern about large budget deficits is that they may lead to \_\_\_\_\_.

- A. lower living standards in the future
- B. lower interest rates in the present
- C. deflation in the future
- D. increased living standard

46. Public expenditure on education and health is known as expenditure on \_\_\_\_\_.

- A. general services
- B. community services
- C. social services
- D. economic services
- E. administrative services

47. If the Central Bank of Nigeria wants the naira to appreciate, it will likely adopt \_\_\_\_\_.

- A. an expansionary monetary policy
- B. a contractionary monetary policy
- C. a contractionary fiscal policy
- D. an expansionary monetary policy and expansionary fiscal policy

## TOPIC: THEORY OF DEMAND, SUPPLY AND PRICE DETERMINATION

**DIRECTION: Choose the correct answer from the lettered options.**

1. If a maximum price is set below equilibrium, there will be \_\_\_\_\_.

- A. a price fall
- B. a price increase
- C. excess supply
- D. excess demand

2. An increase in price all other things being equal leads to \_\_\_\_\_

- A. a shift in demand outwards
- B. a shift in demand inwards
- C. a contraction of demand
- D. an extension of demand

3. If Marginal utility is zero: \_\_\_\_\_.

- A. Total utility is zero
- B. an additional unit of consumption will decrease Total utility
- C. an additional unit of consumption will increase Total utility
- D. Total utility is maximised

4. Movement along the demand curve indicates \_\_\_\_\_.

- A. a shift in demand unrelated to price
- B. a change in quantity supplied in relation to price
- C. a change in quantity demanded in relation to price
- D. a change in economic theory

5. The quantity supplied of a commodity increases when \_\_\_\_\_.  
A. production increases  
B. demand increases  
C. price of the commodity increases  
D. the quantity supplied of its substitute decreases  
E. more commodities are imported
6. A decrease in demand for a product should \_\_\_\_\_.  
A. increase equilibrium price and quantity  
B. decrease equilibrium price and quantity  
C. increase equilibrium price and decrease quantity  
D. decrease equilibrium price and increase quantity
7. An increase in productivity should \_\_\_\_\_.  
A. lead to a contraction in supply  
B. lead to an expansion of supply  
C. lead to a shift in supply outwards  
D. leads to a higher equilibrium price and lower equilibrium quantity
8. What does the first law of demand state?  
A. At the point of equilibrium, the quantity demanded is equal to the quantity supplied.  
B. An decrease in demand over supply lowers the market price of a product.  
C. The lower the price of a product, the higher the quantity demanded; and vice-versa.  
D. As the demand of a commodity increases, the price tends to rise.

9. Which of the following pairs gives the value of X and Y in the table above

Fixed Unit of Land	Variable Units of Labour	TP	MP
5	1	10	10
5	2	25	15
5	3	X	21
5	4	60	14
5	5	73	13
5	6	82	Y

- A. X = 20, Y = 6
- B. X = 39, Y = 10
- C. X = 40, Y = 11
- D. X = 46, Y = 9

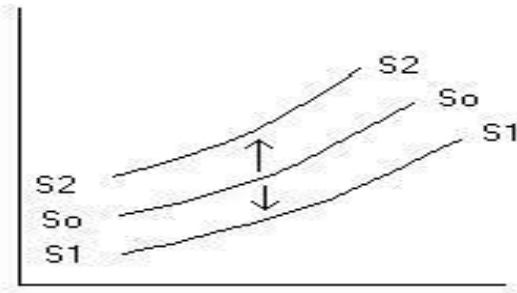
10. A change in price can cause a shift of a demand curve.

- A. True
- B. False

11. A shift in demand will have more effect on price than quantity if \_\_\_\_\_.

- A. the price elasticity of supply is price inelastic
- B. the price elasticity of supply is price elastic
- C. the price elasticity of supply is perfectly elastic
- D. the price elasticity of supply is infinity

12. A shift in the supply curve to the right will result in \_\_\_\_\_.



- A. fall in both price and supply.
- B. fall in price but increase in supply
- C. rise in quantity supplied
- D. rise in the price and fall in supply

13. Which of the following causes the demand curve to shift to the right?

- A. A reduction in the size of the population
- B. An increase in the income of the buyer
- C. A decrease in the price of the good
- D. An decrease in the income of the buyer

14. A supply curve is directly affected by \_\_\_\_\_.

- A. technology
- B. input costs
- C. government regulation
- D. all of the above

15. When the price of a commodity is below the equilibrium price, the quantity demanded will exceed the quantity supplied. Such a situation is referred to as \_\_\_\_\_.

- A. elastic supply
- B. joint demand



- C. excess supply
- D. none of the above

16. If a price increase of good A increases the quantity demanded of good B, then good B is a \_\_\_\_\_.

- A. substitute good
- B. complementary good
- C. bargain
- D. inferior good

17. A change in supply implies a \_\_\_\_\_.

- A. shift in the supply curve to the right only
- B. shift in the supply curve to the left only
- C. shift in the supply curve to the left or right
- D. movement along the supply curve
- E. movement along the chain of distribution

18. An increase in price will cause a supply curve to shift to the left:

- A. True
- B. False

19. If the demand curve facing a firm is sharply downward sloping, the firm is likely to be \_\_\_\_\_.

- A. a monopolistic competitor as it can have a limited influence on price
- B. a monopolist as it can have a great influence on price
- C. a perfect competitor as it cannot influence the market price
- D. an oligopolist as it can combine with other firms to have some influence on price

20. At market equilibrium, \_\_\_\_\_.

- A. buyers and sellers agree on prices

- B. quantities demanded and supplied are equal
- C. there is no excess demand
- D. there is no excess supply
- E. all of the above

21. What is Marginal Revenue?

- A. Price multiplied by quantity sold
- B. Change in average revenue from selling one more unit
- C. Change in total revenue from selling one more unit
- D. Change in total costs from selling one more unit

22. When we know the quantity of a product that buyers wish to purchase at each possible price, we know \_\_\_\_\_.

- A. the demand
- B. the supply
- C. excess demand
- D. excess supply

23. Price ceilings are imposed price above the free market equilibrium price:

- A. True
- B. False

24. If there is an increase in demand without a corresponding increase in supply, there will be a \_\_\_\_\_.

- A. rise in price
- B. shift in demand curve to the left
- C. fall in price
- D. shift in supply curve to the right

25. A demand curve can shift because of changing \_\_\_\_\_.

- A. incomes
- B. prices of related goods
- C. tastes
- D. All of the above

26. If government places a price ceiling on laces that is below the equilibrium price, which of the following will occur in the market of lace?

- A. There will be shortage
- B. There will be surplus
- C. There will be equilibrium
- D. The supply curve for lace will shift rightward

27. An increase in the price of cotton and a simultaneous increase in consumers' incomes will most likely have which of the following effects on the equilibrium price of cotton?

[Hint: Assume cotton to be a normal good].

- A. Decrease in price
- B. Increase in price
- C. No change in price
- D. Negative price

28. \_\_\_\_\_ goods are defined as goods whose consumption falls when consumer income rises.

- A. Normal
- B. Giffen
- C. Inferior
- D. Ostentatious

29. A movement along the demand curve for a good is caused by a change in \_\_\_\_.

- A. consumer income
- B. the price of the good
- C. consumer taste
- D. the price of other goods

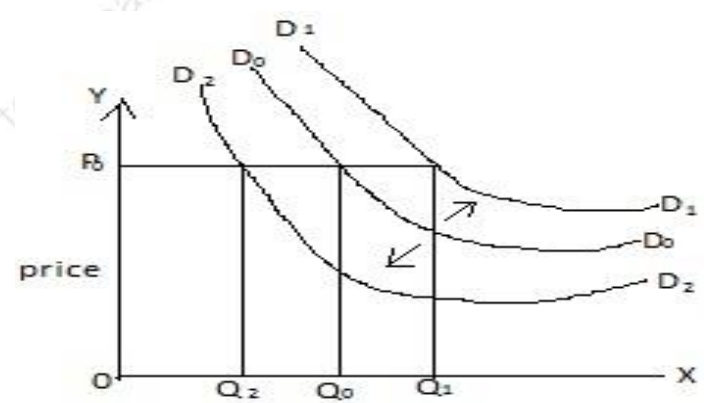
30. At \$50 per bag of rice, there is an excess supply of \_\_\_\_ bags.

Price per bag (\$)	Quantity demanded	Quantity supplied
50	85	200
40	95	185
30	120	120
20	140	60
10	169	50
5	195	10

- A. 285
- B. 90
- C. 105
- D. 115

Use the diagram to answer the question.

31. The diagram describes \_\_\_\_.



- A. change in demand
- B. change in supply

- C. change in income
- D. increase in price

32. A market equilibrium exists when \_\_\_\_.

- A. no buyer goes home empty-handed
- B. demand and supply are increasing at the same time
- C. demand and supply are equal
- D. price is fluctuating

33. The slope of a supply curve is \_\_\_\_.

- A. horizontal
- B. uniform
- C. positive
- D. vertical

34. Giffen goods are those goods \_\_\_\_.

- A. which give rise to cobweb situation
- B. for which demand increases as price increases
- C. which has low price elasticity of demand
- D. which are in short supply

35. A normal supply curve is usually positively sloped because the relationship between \_\_\_\_.

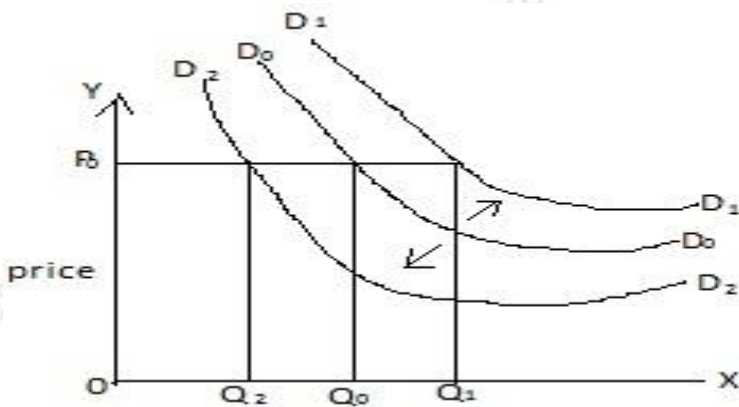
**Price of X**



- A. price and supply is positive
- B. demand and price is positive
- C. supply and price is negative
- D. price and demand is negative

Use the diagram to answer the question.

36. In the diagram, a shift in the demand curve to the left indicates



- A. decrease in quantity demanded
- B. decrease in demand
- C. elasticity of demand
- D. increase in demand

37. Which of the following is NOT true?

- A. Only economic goods can be supplied.
- B. Supply is a flow, and not a stock.
- C. Supply is said to exceed demand when a product is scarce.
- D. The higher the price of a product, the higher the quantity supplied.

38. Which best describes a supply curve?

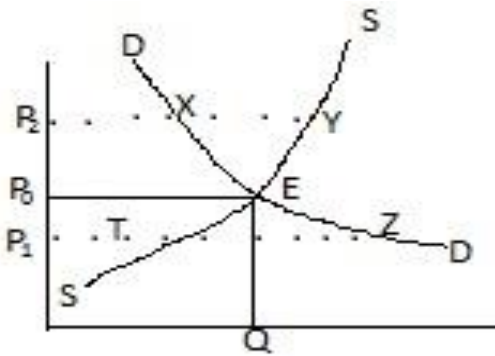
- A. The quantity consumers would like to buy in an ideal world
- B. A supply curve is a graphic representation of the relationship between product price and quantity of product that a seller is willing and able to supply

C. The quantity producers are willing and able to sell at each and every income all other things being equal

D. A supply curve is a graph depicting the relationship between the price of a certain commodity and the amount of it that consumers are willing and able to purchase at that given price.

Use the diagram to answer the question.

39. In the diagram, equilibrium price is labeled \_\_\_\_\_



- A.  $P_2$
- B.  $P_1$
- C.  $P_0$
- D.  $P_1$

40. Which best describes a demand curve?

A. A demand curve is a graph depicting the relationship between the price of a certain commodity and the amount of it that producers are willing and able to produce at that given price.

B. A demand curve is a graph depicting the relationship between the income of a consumer and the amount of that income that he is willing and able to use for consumption goods.

C. A demand curve is a graph depicting the relationship between the price of a certain commodity and the amount of it that producers are willing and able to sell at a given price.

D. A demand curve is a graph depicting the relationship between the price of a certain commodity and the amount of it that consumers are willing and able to purchase at that given price.

41. A Nigerian household's demand curve for semovita is downward sloping because \_\_\_\_\_.

- A. the demand for semovita is lower than the supply of it
- B. the local markets are flooded with semovita
- C. semovita is produced in Nigeria and for the Nigerian market
- D. every household in Nigeria can afford to buy semovita
- E. the lower prices of semovita attract larger quantities of it

42. If price falls below the equilibrium price, \_\_\_\_\_.

- A. demand will be equal to supply
- B. demand will be greater than supply
- C. supply will be greater than demand
- D. supply will become indeterminate

43. \_\_\_\_\_ if the government fix price below the equilibrium price.

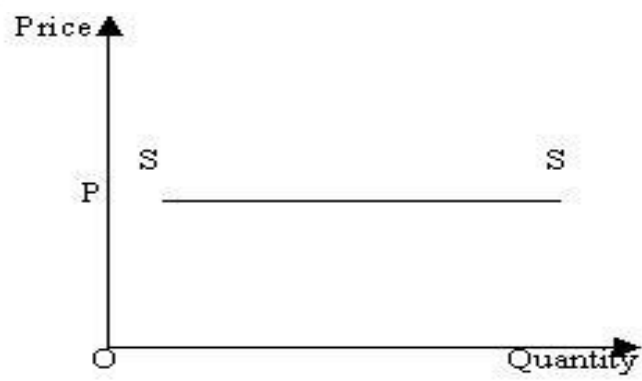
- A. there will be excess equilibrium
- B. there will be excess supply
- C. there will be excess demand
- D. there will be equilibrium

44. When aggregate demand exceeds aggregate supply; there is \_\_\_\_\_.

- A. demand-pull inflation
- B. cost push inflation
- C. fiscal control measure
- D. creeping inflation



45. The diagram shows that \_\_\_\_.



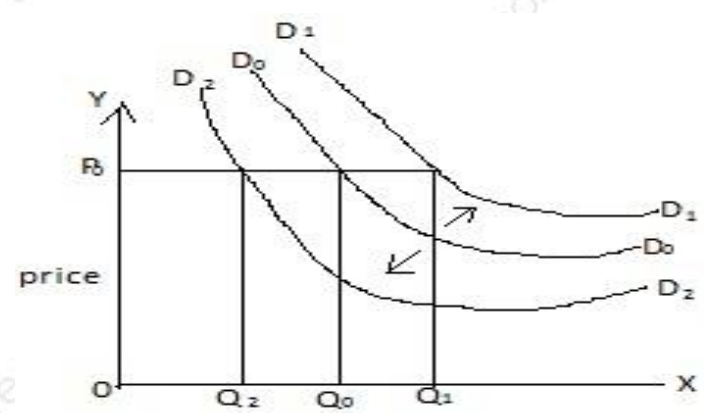
- A. supply is infinitely elastic
- B. the higher the price, the higher the quantity supplied
- C. the higher the price, the lower the quantity supplied
- D. supply has a unitary elasticity

46. An increase in consumer income will increase demand for a \_\_\_\_ but decrease demand for a/an \_\_\_\_.

- A. substitute good, inferior good
- B. normal good, inferior good
- C. inferior good, normal good
- D. normal good, complementary good

Use the diagram to answer the question.

47. A movement from  $D_0$  to  $D_2$  indicates



- A. change in price
- B. constant demand
- C. decrease in demand
- D. increase in demand

48. A contraction in supply occurs when \_\_\_\_\_

- A. the demand curve shifts outwards
- B. quantity demanded falls as a result of fall in income
- C. quantity supplied falls as a result of fall in price
- D. the supply curve shifts outwards

49. A decrease in supply with demand remaining unchanged will cause the equilibrium price for a good to \_\_\_\_\_.

- A. be unchanged
- B. remain elastic
- C. remain inelastic
- D. rise

50. An inferior good is one \_\_\_\_\_.

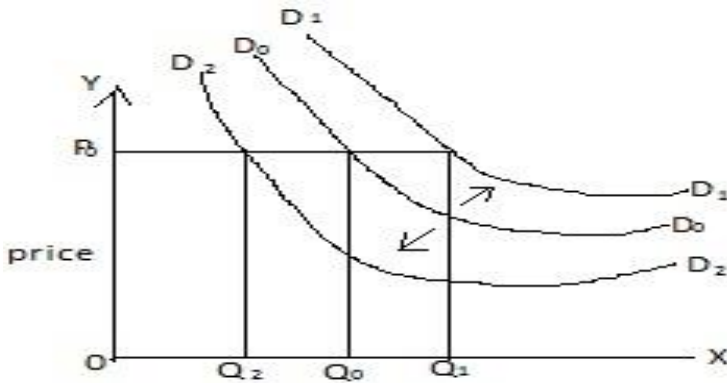
- A. that is of poor quality and bad for consumption
- B. that is of a lower price than other goods
- C. that is easily perishable
- D. whose demand falls when the income of its consumers increases
- E. whose demand falls when the income of its consumers decreases

51. \_\_\_\_\_ is the quantity of a good or service which households, firms, and governments are willing to purchase at any given price at a given time.

- A. Supply
- B. Demand

- C. Demand schedule
- D. Substitute

52. The shift of curve  $D_0D_0$  to  $D_1D_1$  represents a \_\_\_\_\_.



- A. change in demand
- B. change in quantity demanded
- C. movement along the demand curve
- D. vertical change in demand curve

53. When the demand curve shifts to the right, it indicates that a large quantity is demanded at the same price. This could be the result of \_\_\_\_\_.

- A. a change in income
- B. tax policy
- C. a change in taste and fashion
- D. all of the above

54. An increase in price, holding other things constant leads to \_\_\_\_\_.

- A. a shift in supply outwards
- B. a shift in supply inwards
- C. a contraction of supply
- D. an extension of supply

55. A fall in equilibrium price and an increase in equilibrium quantity will occur due to \_\_\_\_\_.

- A. a decrease in demand, with supply constant
- B. an increase in demand, with supply constant
- C. an increase in supply, with demand constant
- D. a decrease in supply, with demand constant

56. In drawing an individual's demand curve for a commodity, the \_\_\_\_\_ is not kept constant.

- A. individual's financial income
- B. price of substitutes
- C. price of complementary goods
- D. price of the commodity under consideration
- E. none of the above

57. The price of a good rises from N5 to N8 and the quantity demanded fell from 200 to 190 units. Over this price range, the demand curve is \_\_\_\_\_.

- A. perfectly inelastic
- B. fairly elastic
- C. perfectly elastic
- D. fairly inelastic

58. The price mechanism works through the free interaction of \_\_\_\_\_.

- A. supply and price
- B. demand and income
- C. price and income
- D. demand and supply

59. According to the law of diminishing utility: \_\_\_\_\_.

- A. utility is at a maximum with the first unit
- B. increasing units of consumption increases the marginal utility
- C. Marginal Product will fall as more units are consumed
- D. Total utility will rise at a falling rate as more units are consumed

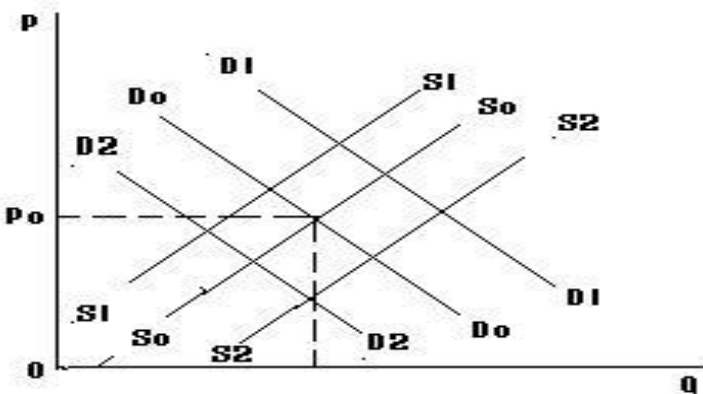
60. The demand for a good falls from 5 to 3 when the unit price rises from ₦8 to ₦10. This is a case of \_\_\_\_\_.

- A. a contraction in demand
- B. an increase in demand
- C. a change in demand
- D. an expansion in price

61. Equilibrium price is the price at which quantity \_\_\_\_\_.

- A. demanded is greater than quantity supplied
- B. supplied is greater than quantity demanded
- C. demanded is equal to quantity supplied
- D. supplied equals quantity produced

62. If  $D_0D_0$  and  $S_0S_0$  are the demand and supply curves, what happens when government grants subsidies to producers in order to boost output?



A. The supply curve shifts from  $S_0S_0$  to  $S_2S_2$

- B. The supply curve shifts from SoSo to S1S1
- C. The supply curve shifts from S2S2 to S1S1
- D. The supply curve shifts from S1S1 to SoSo

63. What happens if Marginal Revenue is negative?

- A. Total revenue will fall if another unit is sold
- B. Total revenue will increase by a small amount if another unit is sold
- C. The price of a unit will be negative
- D. Total revenue will increase at a falling amount if more units are sold

64. An increase in the price of a complement for product A would \_\_\_\_\_

- A. shift demand for product A outwards
- B. shift demand for product A inwards
- C. shift supply for product A outwards
- D. shift supply for product A inwards

65. An increase in price from N25 to N30 leads to an increase in the quantity supplied from 40 units to 44 units. The price elasticity of supply is \_\_\_\_\_

- A. 2
- B. 0.5
- C. -2
- D. -0.5

66. Supply is the quantity of a good sellers wish to sell each time the market opens.

- A. True
- B. False

67. If the government fixes prices below the equilibrium level, it will lead to \_\_\_\_\_.

- A. more of the commodities being supplied
- B. less of the commodities being demanded
- C. shortages in the market
- D. fall in production cost
- E. increases in the market

68. Demand for a normal good may shift outwards if \_\_\_\_\_.

- A. price decreases
- B. the price of a substitute falls
- C. the price of a complement rises
- D. income falls

69. If the price in the market is fixed by the government above the equilibrium: \_\_\_\_\_.

- A. There will be excess equilibrium
- B. There will be excess supply
- C. There will be excess demand
- D. There will be equilibrium

70. An increase in the costs of production will \_\_\_\_\_.

- A. shift demand outwards
- B. shift demand inwards
- C. shift supply outwards, so more is supplied at each and every price, all things being equal
- D. shift supply inwards

71. From the table, what is the equilibrium price?

<i>Price per bag (\$)</i>	<i>Quantity demanded</i>	<i>Quantity supplied</i>
<b>50</b>	85	200
<b>40</b>	95	185
<b>30</b>	120	120
<b>20</b>	140	60
<b>10</b>	169	50
<b>5</b>	195	10

- A. \$50
- B. \$40
- C. \$30
- D. \$20
- E. \$10

72. If the price of a commodity falls and the quantity demanded of it does NOT rise, the commodity can be described as \_\_\_\_\_.

- A. normal
- B. abnormal
- C. superior
- D. inferior

73. All things being equal, an increase in the price of a commodity will lead to \_\_\_\_\_.

- A. a fall in the quantity supplied
- B. an increase in the quantity supplied
- C. supply remaining constant
- D. an increase in demand

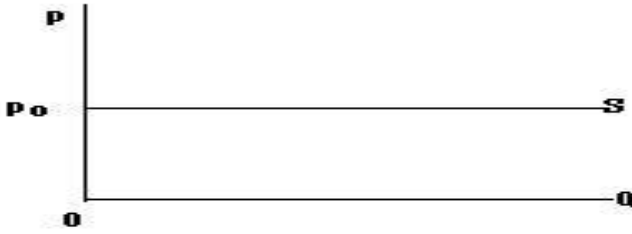
74. When supply increases in an agricultural market, farmer's earning might fall because \_\_\_\_\_.

- A. supply is price elastic
- B. demand is price inelastic



- C. the government buys up all the excess production
- D. all output must be sold at a maximum price

75. In the diagram, PoS is the supply curve for a particular commodity while Po is the price. Which of the following statements is correct?



- A. The quantity supplied is infinitely elastic.
- B. When price is zero, the quantity supplied is infinite.
- C. When price is infinite, the quantity supplied is zero.
- D. The quantity supplied is indefinite.
- E. All of the above.

## TOPIC: TYPES AND BASIC FEATURES OF ECONOMIC SYSTEMS

***DIRECTION: Choose the correct answer from the lettered options.***

1. A mixed economy contains elements of \_\_\_\_\_.
  - A. capitalism and feudalism
  - B. capitalism and socialism
  - C. socialism and communism
  - D. bicameral system of government
  - E. capitalism only
  
2. The following are the features of free enterprise economy EXCEPT \_\_\_\_\_.
  - A. competition
  - B. equitable distribution of income
  - C. freedom of individual initiative
  - D. private ownership
  
3. An economic system in which the state owns and controls the means of production is known as \_\_\_\_\_.
  - A. socialist economy.
  - B. mixed economy.
  - C. capitalist economy.
  - D. welfare economy.
  
4. An economic system where individuals are allowed a free hand in the ownership of factors of production is known as \_\_\_\_\_.
  - A. capitalism

- B. feudalism
- C. mixed economy
- D. socialism

5. Which one of these would NOT be included in the fundamental principles of a free enterprise economy?

- A. Private ownership of resources.
- B. The right to organise factors for productive activity.
- C. The right to make private profit.
- D. Government control of the mobility of factors of production.

6. A command economy decides resource allocation by government planning.

- A. True
- B. False

7. The economies of most West African states can best be described as \_\_\_\_.

- A. socialist
- B. underpopulated
- C. mixed
- D. developed
- E. capitalist

8. Which economic system operates in Nigeria?

- A. Capitalist economy.
- B. Mixed economy.
- C. Socialist economy.
- D. Capital and free economy.

9. In a mixed economy, economic \_\_\_\_\_.

- A. problems are solved by the government and market forces
- B. decisions are made by the private sector and market forces
- C. allocations are made by the government
- D. questions are solved by government departments

10. In a free market economy, the allocation of the factors of production is determined by the \_\_\_\_\_

- A. workers
- B. needs of the country
- C. price system
- D. government

11. In a capitalist economy, wealth is likely to be \_\_\_\_\_.

- A. concentrated in a few hands
- B. owned by the government only
- C. evenly distributed
- D. owned by the traders only
- E. owned by politicians

12. A market structure in which an industry is comprised of only a few firm is known as \_\_\_\_\_.

- A. monopoly
- B. perfect competition
- C. fewopoly
- D. oligopoly

13. An economic system in which means of production are owned and controlled by individuals is known as a \_\_\_\_\_ economy.

- A. capitalist

- B. communist
- C. marxist
- D. socialist

14. In which of the following economic systems do we have mostly private ownership of resources and individual decision making?

- A. Capitalist system
- B. Socialist system
- C. Mixed system
- D. Traditional system

15. Which one of the following was NOT a socialist country as at September 2012?

- A. Cuba
- B. Albania
- C. Lao Peoples Democratic Republic
- D. Vietnam

16. Which one of the following was a socialist country as at August 2012?

- A. Vietnam
- B. Afghanistan
- C. Bulgaria
- D. Ethiopia?

# ANSWERS

## TOPIC: AGRICULTURE IN WEST AFRICA

***DIRECTION: Choose the correct answer from the lettered options.***

1. Which of the following is NOT an agricultural problem in Nigeria?

- A. Peasant resistance to innovations.
- B. Much fragmentation of land.
- C. Lack of storage facilities.
- D. Availability of advanced agricultural technology.

The correct answer is option [D]

2. Which of the following is NOT a policy measure adopted by the government to improve productivity of agriculture in Nigeria?

- A. Green Revolution (GR)
- B. National Accelerated Food production project (NAFPP)
- C. National Poverty Eradication Program (NAPEP)
- D. Operation Feed the Nation (OFN)

The correct answer is option [C]

3. Which of the following measures will NOT improve agricultural production in West Africa?

- A. Increased cost of inputs.
- B. Provision of modern storage facilities.
- C. Mechanization of agriculture.
- D. Effective control of pests and diseases.

The correct answer is option [A].

4. The role of government in promoting agricultural development includes the following EXCEPT \_\_\_\_\_.

- A. paying the wages of all farmers
- B. establishing and funding research
- C. formulation of policies

D. provision of rural infrastructure

The correct answer is option [A].

5. The component of agriculture that has to do with the preservation and maintenance of economic trees is known as \_\_\_\_\_.

A. crop farming

B. fishing

C. forestry

D. hunting

The correct answer is option [C]

6. The DFERR typifies government effort under \_\_\_\_\_.

A. a supportive agricultural policy

B. a supervisory agricultural policy

C. an educational agricultural policy

D. a punitive agricultural policy

The correct answer is option [A]. DFERR - Directorate of Food, Roads and Rural Infrastructure.

7. Which of the following is an Agricultural Development Program in Nigeria?

A. Integrated Rural Development Program

B. National Seed Multiplication Program

C. New Partnership for African Development

D. Operation Feed the Nation

The correct answer is option [D].

8. When low agricultural output is due to drought and erosion, it is blamed on \_\_\_\_\_.

A. lack of credit facilities



- B. inadequate marketing facilities
- C. backward agricultural technology
- D. natural disasters

The correct answer is option [D]

9. The suggestion that peasants in Africa have backward bending demand curves of output implies that the response to an increase in the price of their crops will be to \_\_\_\_\_.

- A. increase their output
- B. decrease their output
- C. keep their output constant
- D. hoard their output

The correct answer is option [A].

10. An agricultural policy aimed at increasing food supply and reducing real prices is called \_\_\_\_\_.

- A. remedial policy
- B. compensatory policy
- C. developmental policy
- D. demonstrative policy

The correct answer is option [C]

11. To solve agricultural problems in West Africa, the government should avoid the \_\_\_\_\_.

- A. formation of farmer's cooperatives
- B. intensification of shifting cultivation
- C. stabilization of agricultural prices
- D. construction of a good network of feeder roads

The correct answer is option [B]

## TOPIC: BASIC TOOLS OF ECONOMIC ANALYSIS

**DIRECTION: Choose the correct answer from the lettered options.**

1. The standard deviation of an ungrouped data is calculated by using the formula.

A.  $\sqrt{\sum(x - \bar{x})^2 / n}$

B.  $\sum f(d) / \sum f$

C.  $\sum(x - \bar{x})^{-2}$

D.  $\sum(x - y)^{-2}$

The correct answer is option [A].

2. Which of the following is a measure of dispersion?

A. Variance

B. Graph

C. Mean

D. Median

The correct answer is option [A].

3. The algebraic notation  $Q = f(p)$  means that \_\_\_\_\_.

A. quantity (Q) is a function (f) of price (P)

B. quantity (Q) is equal to a function (f) of price (P)

C. quantity (Q) is equal to function (f) multiplied by price (P)

D. quantity (Q) is directly proportional to price (P) as a function (f)

The correct answer is option [A].

4. When the marginal product is zero, total product must be \_\_\_\_\_.

A. maximum

B. positive

C. negative

D. increasing

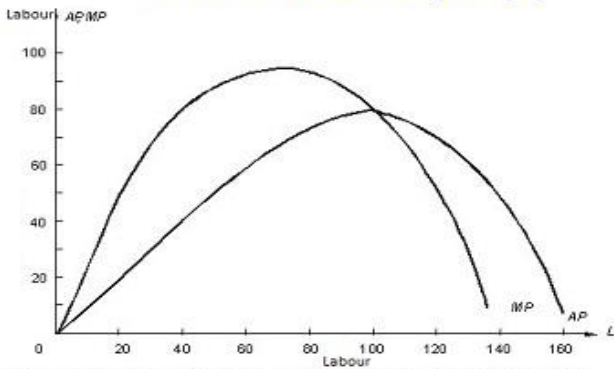
E. minimum

The correct answer is option [A]

5. The marginal and average products are equal when the average product is \_\_\_\_.

- A. falling
- B. rising
- C. at a minimum
- D. at a maximum
- E. constant

**The correct answer is option [D]**



**The point at which the Marginal product (MP) cuts the Average Product (AP) is the Average Product's maximum point.**

6. In economic analysis, a statement is said to be normative if it \_\_\_\_.

- A. relates to value judgement
- B. is incorrect
- C. can be tested scientifically
- D. is contradictory

The correct answer is option [A].

7. The slope of the production possibility curve is called the \_\_\_\_.

- A. Marginal Productivity Theory (MPT)
- B. Marginal Rate of Transformation (MRT)
- C. Marginal Rate of Substitution (MRS)

D. Marginal Rate of Conversion (MRC)

E. Average Rate of Substitution (ARS)

The correct answer is option [B]

8. At constant returns to scale, \_\_\_\_\_.

A. total product is maximum

B. average product is beginning to fall

C. marginal product reduces towards zero

D. All of the above

The correct answer is option [D]

9. Find the median of the following set of values: 2, 7, 5, 8, 2, 9, 11, 12, 3, 4.

A. 6

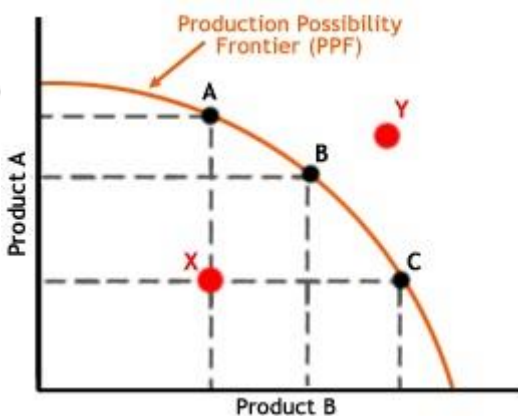
B. 2

C. 7

D. 9

The correct answer is option [A].

10. Outside the production possibility frontier, production is not feasible because \_\_\_\_\_.



A. resources are underemployed

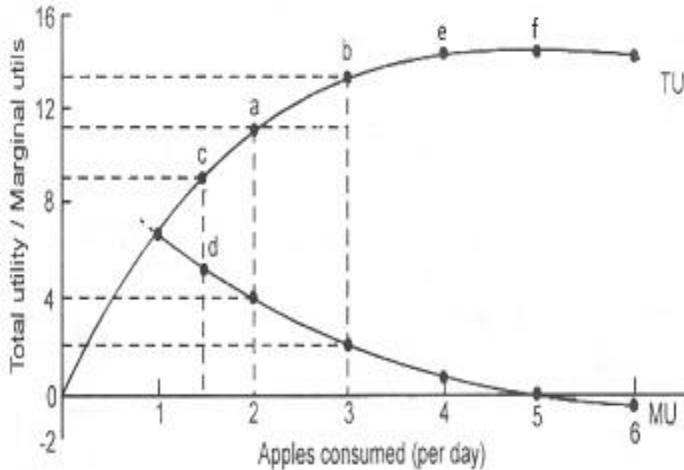
- B. resources are overemployed
- C. resources are in dearth
- D. resources are subject to embezzlement

The correct answer is option [C]

## TOPIC: ELEMENTARY TREATMENT OF UTILITY THEORY

**DIRECTION: Choose the correct answer from the lettered options.**

1. Which of the following is NOT true about the graph?



- A. Total utility gets to its maximum at the point when marginal utility equals zero
- B. Total utility begins to fall when marginal utility becomes negative
- C. Total utility gets to its maximum at the point where marginal utility becomes negative
- D. Total utility starts falling after the point of saturation

The correct answer is option [C]

2. Households are assumed to maximize \_\_\_\_\_.

- A. investments
- B. utility
- C. profits
- D. all of the above

The correct answer is option [B]

3. Which of the following is NOT true about the Indifference curve?

- A. Indifference curves cannot intersect
- B. Indifference curves are downward slope
- C. An indifference curve on the right hand side represents higher level of satisfaction
- D. An indifference curve on the left hand side represents higher level of satisfaction

The correct answer is option [D]

$$4. MU_x / MU_y = P_x / P_y$$

Where: x and y are commodities,

MU = Marginal Utility,

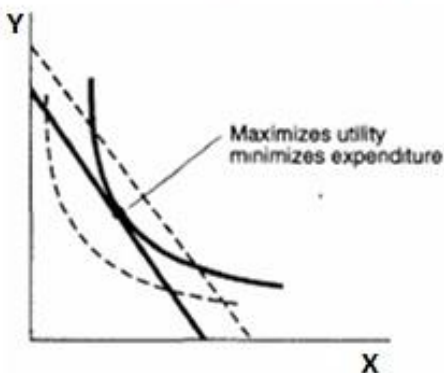
P = Price.

The above represents the \_\_\_\_.

- A. marginal utility equation
- B. equation for consumer disequilibrium
- C. utility maximization equation
- D. equation for total utility
- E. equation for price elasticity

The correct answer is option [C]

At equilibrium, the ratio of the Marginal utility (MU) must be equal to the price ratio. At this point, Utility is maximized.



**Maximize utility and minimize expenditure.** Normally, a consumption bundle that maximizes utility will also minimize expenditure and vice versa.

5. What will happen when a consumer keeps consuming equal increment in the quantity of a good?

- A. Total utility will increase
- B. Marginal utility will increase
- C. Total utility will remain unchange
- D. Marginal utility will start falling

The correct answer is option [D]

6. With a given level of money income, a consumer maximizes satisfaction from the consumption of goods/services when the \_\_\_\_\_.

- A. total utility derived from each good/service is increasing at an increasing rate
- B. marginal utility derived from each good/service is increasing at the same rate
- C. marginal utility per Naira spent is the same for all goods/services
- D. total utility derived from all good/service is large

The correct answer is option [C].

7. At every point on an indifference curve, \_\_\_\_\_.

- A. total utility is decreasing
- B. price of all goods are constant
- C. the consumer is satisfied
- D. the level of utility is constant

The correct answer is option [D].

8. Which of the following concepts describe the fact that the more we have of any commodity the less we value more of it?

- A. The law of variable proportions.
- B. The production possibility frontier.



- C. The laws of demand and supply.
- D. The law of diminishing marginal utility.

The correct answer is option [D]. As more of a commodity is consumed, the satisfaction it gives decreases.

9. The concept of utility is \_\_\_\_\_.

- A. objective
- B. Fixed
- C. subjective
- D. relative

The correct answer is option [C]. Utility is said to be subjective because two different individuals can get different levels of satisfaction from consuming the same quantity of a particular good. Invariably, this means that utility is essentially psychological because the satisfaction it gives to an individual is based upon his/her personal judgment and desires rather than on market judgment.

10. A point along a consumer's indifference curve shows \_\_\_\_\_.

- A. the different commodities he can consume within a given time
- B. a combination of all the commodities he or she is willing to buy within a given period
- C. a combination of two commodities from which he derives the same level of satisfaction
- D. the quantities of commodities demanded by him

The correct answer is option [C]. An indifference curve shows a combination of consumption which gives constant satisfaction or utility.

11. At the highest level of total utility, marginal utility is \_\_\_\_\_.

- A. negative
- B. positive and falling
- C. positive and rising

D. zero

The correct answer is option [D]

12. The law of diminishing marginal utility states that, the more a commodity is consumed, the \_\_\_\_\_.

- A. higher the satisfaction derived from an additional unit
- B. higher the price to be paid
- C. lower the quantity supplied
- D. lower the rate of increase in the total utility derived

The correct answer is option [D]

13. \_\_\_\_\_ economic school of thought emphasized that utility is measurable.

- A. The Cardinal
- B. The Keynesian
- C. The Malthusian
- D. The Marshalian

The correct answer is option [A]

14. What becomes of Total utility when marginal utility reaches zero?

- A. Total utility gets to its maximum
- B. Total utility equals zero
- C. Total utility cuts the X axis
- D. Total utility becomes negative

The correct answer is option [A]

15. Utility is the satisfaction derived from \_\_\_\_\_

- A. demand

- B. production
- C. distribution
- D. consumption

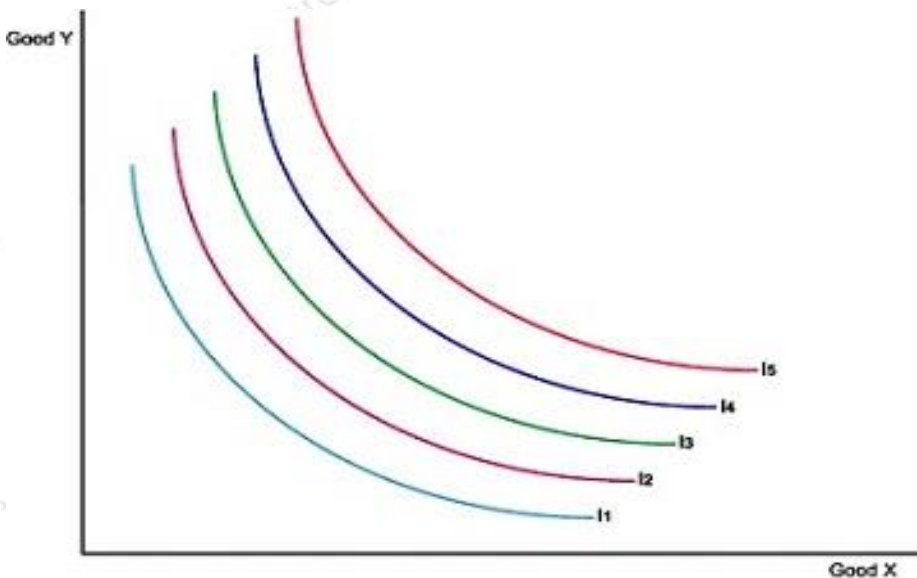
The correct answer is option [D].

16. What is total utility divided by quantity consumed equal to?

- A. Marginal utility
- B. Average utility
- C. Total utility
- D. Price

The correct answer is option [B]

17. From the graph, which indifference curve gives the highest level of satisfaction?



- A. I5
- B. I4
- C. I3
- D. I1

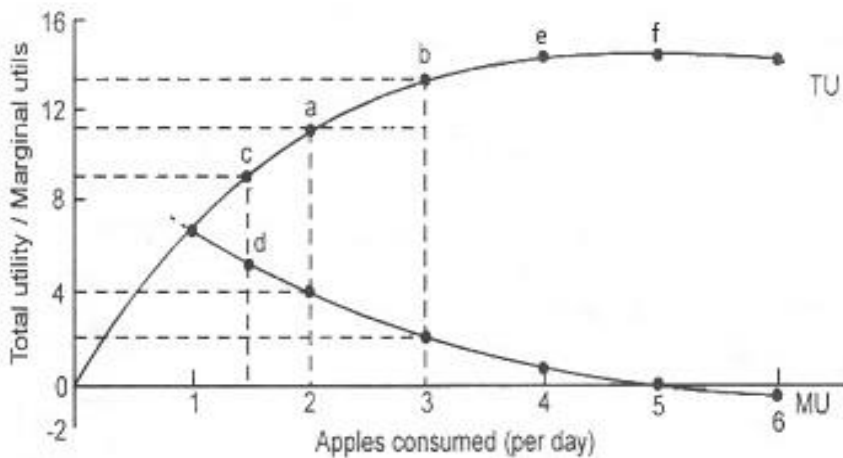
The correct answer is option [A] Indifference curves indicate higher level of satisfaction as one moves rightwards. That is, an indifference curve on the right hand side represents a higher level of satisfaction or utility than the one leftwards.

Put differently, I5 gives higher level of satisfaction than I4.

I4 gives higher level of satisfaction than I3.

I1 gives the least level of satisfaction.

18. From the graph, which is the point of saturation?



- A. Point b
- B. Point d
- C. Point e
- D. Point f

The correct answer is option [D] The point of saturation is the maximum point of satisfaction.

19. Marginal utility will usually \_\_\_\_\_ with each additional increase in consumption of a good.

- A. increase
- B. decrease
- C. remain unchanged
- D. move inversely to the invisible hand

The correct answer is option [B]

20. If a commodity has very high marginal utility and very low total utility, its market price will \_\_\_\_.

- A. be high
- B. be low
- C. always be falling
- D. always be rising

The correct answer is option [A]

21. If all goods were free, a rational consumer would consume \_\_\_\_.

- A. an infinite amount of each good
- B. the amount where marginal utility becomes zero
- C. the same amount as when each good had a price
- D. the amount where marginal utility was the highest

The correct answer is option [B]. Option [D] is close enough but the consumer may not be satiated at the point where marginal utility is highest.

22. The graph represents \_\_\_\_\_.



- A. a demand curve
- B. a marginal utility curve
- C. a Supply curve
- D. an indifference curve

The correct answer is option [B]

23. The formula for calculating average utility (Au) is \_\_\_\_\_.

- A.  $AU = TU - Q$
- B.  $AU = TU - MU$
- C.  $AU = TU/Q$
- D.  $AU = MU/Q$

The correct answer is option [C]

Where

TU - Total Utility

Q - Quantity

24. Diagrammatically, the law of diminishing marginal utility is \_\_\_\_\_.

- A. downward slope
- B. upward slope
- C. horizontal
- D. vertical

The correct answer is option [A]

25. \_\_\_\_\_ utility is the satisfaction that is derived per unit of a commodity consumed.

- A. Marginal
- B. Average
- C. Total
- D. Quantity
- E. Gross

The correct answer is option [B].

26. What is average utility multiplied by quantity consumed equal to?

- A. Average utility
- B. Total utility
- C. Marginal utility
- D. Price

The correct answer is option [B]

27. What is change in total utility divided by change in consumption equal to?

- A. Marginal utility
- B. Total utility
- C. Average utility
- D. Price

The correct answer is option [A]

28. Utility is associated with all of the following except \_\_\_\_\_.

- A. satisfaction
- B. deprivation
- C. pleasure
- D. fulfilment

The correct answer is option [B]

29. A rational consumer will maximise utility where \_\_\_\_\_.

- A.  $MU_x/P_x = MU_y/P_y$
- B.  $MU_x MU_y = P_x P_y$
- C.  $P_x/MU_x = P_y/MU_y$
- D.  $MU_x P_x = MU_y P_y$

The correct answer is option [A]

Where

$MU_x$  = marginal utility of commodity x

$MU_y$  = marginal utility of commodity y

$P_x$  = price of commodity x

$P_y$  = price of commodity y

30. The theory of consumer behaviour assumes that income-elasticity of consumption is \_\_\_\_\_.

- A. negative
- B. positive
- C. unitary
- D. zero

The correct answer is option [B]

31. Tarela consumes only two goods: roasted plantain and fish. She spends her entire weekly income on roasted plantain and fish. At her current consumption level of the two goods, the Marginal Utility of the last naira she spent on roasted plantain is 5 and the Marginal Utility of the last naira spent on fish is 10. To maximise her utility, Tarela should \_\_\_\_\_

- A. maintain her current consumption level of the two goods
- B. buy fewer units of plantain and more units of fish
- C. buy fewer units of fish and more units of plantain
- D. buy fewer units of both plantain and fish

The correct answer is option [B]

32. When marginal utility is zero, total utility is \_\_\_\_\_.

- A. zero
- B. maximum
- C. minimum



D. negative

The correct answer is option [B]

33. All of the following occur along an indifference curve, except \_\_\_\_.

A. total utility does not change

B. the possible combination of three or more commodities are displayed

C. the slope of the product transformation curve is called the marginal rate of substitution

D. all combinations represented on the curve gives the consumer the same amount of satisfaction

The correct answer is option [B]

34. What becomes of Total utility when marginal utility becomes negative?

A. Total utility gets to its maximum

B. Total utility equals zero

C. Total utility begins to fall

D. Total utility starts increasing

The correct answer is option [C]

35. What does the concept of the indifference curve postulate?

A. All combinations of two commodities on the indifference curve gives different level of satisfaction

B. All combinations of two commodities on the indifference curve gives no level of satisfaction

C. All combinations of two commodities on the indifference curve gives the same level of satisfaction

D. All combinations of two commodities on the indifference curve gives negative satisfaction

The correct answer is option [C]

36. What is the concept of consumer theory?

- A. It is the consumption behaviour of consumers
- B. It is the productive capacity of consumers
- C. It is the extractive behaviour of consumers
- D. It is the purchasing behaviour of consumers

The correct answer is option [A]

## TOPIC: FINANCIAL INSTITUTIONS

***DIRECTION: Choose the correct answer from the lettered options.***

1. The following are examples of financial instruments EXCEPT \_\_\_\_\_.

- A. bonds
- B. cheques
- C. shares
- D. stocks

The correct answer is option [B]

2. A financial institution that specializes in accepting responsibilities for risks on persons and properties is called \_\_\_\_\_.

- A. a stock exchange
- B. an investment bank
- C. a development bank
- D. an insurance company

The correct answer is option [D]. Insurance companies are contracted to pay a premium in return for payment of compensation for certain eventualities and mishaps such as accidents, deaths, etc.

3. When a bank writes off a loan as bad, its \_\_\_\_\_.

- A. total assets and total liabilities decrease by that amount
- B. total liabilities and capital decrease by that amount
- C. total assets and capital decrease by that amount
- D. total assets, total liabilities and capital decrease by that amount
- E. total liabilities decrease by that amount

The correct answer is option [C]

4. Which of the following is true about common stock?

- A. It represents an I Owe You (IOU) on the part of the issuing firm.
- B. It entitles the holder to contractual payments.
- C. It is not a form of investment.
- D. It allows the holder to share in the earnings of the firm.

The correct answer is option [D]

5. One of the functions of the Central Bank of Nigeria (CBN) is the \_\_\_\_\_.

- A. production of goods
- B. issuing of currency
- C. presentation of budgets
- D. printing of cheque books

The correct answer is option [B].

6. An example of an invisible item in the balance of payments accounts is \_\_\_\_\_.

- A. banking service
- B. import of electronics
- C. export of petroleum
- D. export of primary products

The correct answer is option [A].

7. Which of the following is NOT a development bank?

- A. Federal Mortgage bank of Nigeria (FMBN).
- B. Nigerian Agricultural and Cooperative Bank (NACB).
- C. Nigerian Bank for Commerce and Industry (NBCI).
- D. Nigerian Acceptance Bank (NAB).

The correct answer is option [D]

8. The primary objective of the Nigerian Industrial Development Bank (NIDB) is the provision of loans to \_\_\_\_\_.

- A. farmers
- B. manufacturers
- C. estate agents
- D. transporters
- E. students

The correct answer is option [B].

9. The demand for the monetary base is composed of demand by \_\_\_\_\_.

- A. banks and the treasury
- B. banks and the Central Bank
- C. banks and the public
- D. the treasury and the Central Bank
- E. the Central Bank

The correct answer is option [C]

10. Which of the following is a short-term financial instrument?

- A. Treasury bills.
- B. Dividends.
- C. Shares.
- D. Government bonds.

The correct answer is option [A].

11. The Central Bank of Nigeria was created to \_\_\_\_\_.

- A. underwrite shares
- B. primarily hold large quantities of the ever expanding government debt
- C. issue currency
- D. accept deposits

E. improve fiscal activities

The correct answer is option [C]

12. Commercial banks are commonly known for \_\_\_\_\_.

- A. long term loans
- B. medium term loans
- C. short term loans
- D. syndicated loan

The correct answer is option [C]. A syndicated loan (or "syndicated bank facility") is a large loan in which a group of banks work together to provide funds for a borrower. There is usually one lead bank (the "Arranger" or "Agent") that takes a percentage

13. Which of the following is a function of merchant banks?

- A. Minting of coins.
- B. Preparing of government budget.
- C. Keeping watch on external reserves of the country.
- D. Acting as acceptance houses.

The correct answer is option [D].

14. Between 1915 and 1960, the greatest bank failure in Nigeria occurred between \_\_\_\_\_.

- A. 1917 - 1922
- B. 1923 - 1946
- C. 1947 - 1952
- D. 1953 - 1960

The correct answer is option [C]

15. \_\_\_\_\_ is the market where existing securities are bought and sold.

- A. Money market

- B. Capital market
- C. Primary market
- D. Secondary market

The correct answer is option [D]

16. The primary assets of a mutual savings bank are \_\_\_\_.

- A. money market instruments
- B. corporate bonds and stock
- C. consumer and business loans
- D. mortgages

The correct answer is option [D] Mutual savings bank is a financial institution chartered through a state or federal government to provide a safe place for individuals to save and to invest those savings in mortgages, loans, stocks, Bonds and other securities.

17. Suppose you buy ₦100,000 worth of newly issued CINFORES bonds. Which of the following is correct?

- A. You now own CINFORES BrainFriend Software.
- B. You have loaned ₦100,000 to CINFORES.
- C. CINFORES is worth ₦100,000.
- D. You owe CINFORES ₦100,000.

The correct answer is option [B]

18. The monetary control instrument most effectively used by the Central Bank of Nigeria is the \_\_\_\_.

- A. open market operation
- B. margin requirement
- C. reserve ratio
- D. discount rate

The correct answer is option [C].

19. Commercial bank reserves at the Central bank have the effect of \_\_\_\_\_.

- A. controlling credit and money supply
- B. discouraging banking operations
- C. advancing trade prospects
- D. retarding economic growth

The correct answer is option [A].

20. Restriction on credit creation by commercial banks can be effected through \_\_\_\_\_.

- A. an overdraft
- B. loans and allowances
- C. demand deposit
- D. liquidity ratio
- E. current account

The correct answer is option [D].

21. Currently, the largest portion of banks' profits stem from \_\_\_\_\_.

- A. loans
- B. securities
- C. fees for services
- D. derivatives
- E. none of the above

The correct answer is option [A]

22. Which of the following occurs when you deposit a ₦100 cheque in your bank account at the First National Bank and later withdraw ₦50 in cash?

- A. The liabilities of First National Bank rises by ₦100.
- B. The reserves of First National Bank rises by ₦100.
- C. The assets of First National Bank rises by ₦150.



D. The liabilities of First National Bank rises by ₦50.

The correct answer is option [D]

23. Transaction costs are lowest in \_\_\_\_\_.

- A. treasury bills
- B. common stocks
- C. bonds
- D. municipal bonds

The correct answer is option [A]

24. Which of the following is a function of the Central Bank of Nigeria?

- A. Serving as custodian of important valuables.
- B. Giving advice to customers.
- C. Serving as bankers' bank.
- D. Creating credit.

The correct answer is option [C].

25. Which of the following assets of a commercial bank does NOT yield revenue?

- A. Money in the tills of the bank.
- B. Money at call.
- C. Loans and advances.
- D. Treasury bills.

The correct answer is option [A]. Money in the tills of a bank are not in use for either investment (borrowing) or consumption (withdrawal) and are not yielding any interest.

26. The primary liabilities of a savings and loan association are \_\_\_\_\_.

- A. bonds
- B. mortgages
- C. deposits

D. commercial paper

The correct answer is option [C]

27. All of the following is are true about when you purchase corporate stock, except \_\_\_\_\_.

- A. you have loaned money to the corporation
- B. you own part of the corporation
- C. you have made new funds available to the corporation
- D. you owe the corporation

The correct answer is option [D]

28. Assuming there are no leakages, given that initial deposits are N400.00, cash deposit ratio is 25%, the maximum amount that banks can create is \_\_\_\_\_.

- A. ₦100,000.00
- B. ₦1,600.00
- C. ₦160,000.00
- D. ₦200,000.00
- E. ₦2,000.00

The correct answer is option [B] Amount created = Initial deposit x  $\frac{1}{\text{cash deposits ratio}}$   
 $\text{ratio} = 400 \times \frac{1}{25/100}$

$$400 \times \frac{1}{1} \times \frac{100}{25} = 400 \times 4 = \text{N}1,600$$

29. In commercial banking, an account from which the customer cannot withdraw money instantly is a \_\_\_\_\_ account.

- A. demand deposit
- B. time deposit
- C. special deposit
- D. saving deposit

The correct answer is option [B]. Time deposit account is also called fixed deposit account or term deposit account.

30. Which of the following is a liability of a commercial bank?

- A. Deposits in the bank.
- B. Loans given by the bank to individuals.
- C. Loans given by the bank to other banks.
- D. Bonds purchased by the bank.

The correct answer is option [A]. Deposits include current account, savings account balances and fixed deposits.

31. The \_\_\_\_\_ is known as the 'government banker'.

- A. Merchant bank
- B. Central bank
- C. Commercial bank
- D. Development bank

The correct answer is option [B]

32. Which of the following bank assets is the most liquid?

- A. Consumer loans.
- B. State and local government securities.
- C. Physical capital.
- D. Federal government securities.

The correct answer is option [D]

33. Commercial banks obtain funds by \_\_\_\_\_.

- A. issuing demand deposits
- B. borrowing from other banks
- C. issuing ownership claims (equity)

D. all of the above

The correct answer is option [D]

34. Which of the following is a short-term financial instrument?

- A. Treasury bill.
- B. Share of IBM stock.
- C. Bond with a maturity of 2 years.
- D. Residential mortgage.

The correct answer is option [A]

35. Banks can create money by \_\_\_\_\_.

- A. increasing its cash ratio with the Central Bank
- B. issuing more bank cheques
- C. accepting more deposits from customers
- D. lending out money from customers' deposits
- E. issuing more currency

The correct answer is option [D].

36. The Central Bank controls the credit policy of commercial banks in the following ways EXCEPT \_\_\_\_\_.

- A. bank rate.
- B. cash-deposit ratio.
- C. credit creation.
- D. moral suasion.

The correct answer is option [C]

37. Assumed that the required reserve ratio is 20% and a bank receives a cash deposit of N500 from a new customer.

QUESTION: The maximum increase in the money supply that can be generated from the deposit is \_\_\_\_\_

- A. N400
- B. N500
- C. N2,000
- D. N2,500

The correct answer is option [C]

Reserve ratio = 20% of 500 = 100

Excess reserves = 500 - 100 = 400

Amount generated = initial deposit (excess reserves)  $\times$   $\frac{1}{\text{cash deposit ratio}}$  = N2,000

38. The Federal Reserve System is \_\_\_\_\_.

- A. the organization that insures bank deposits in Nigeria
- B. another name for the U.S. Treasury
- C. the Central Bank in the United States
- D. the organization that insures bank deposits in the U.S

The correct answer is option [C]

39. An item listed on the liability side of banks' balance sheets is \_\_\_\_\_.

- A. bank capital
- B. loans
- C. reserves
- D. all of the above
- E. A and B only

The correct answer is option [A]

40. What will a bank do first when it faces reserve deficiency because of a deposit outflow?

- A. Call in loans.
- B. Borrow from the Federal government.
- C. Sell securities.
- D. Borrow from other banks.

The correct answer is option [C]

41. A bank failure is more likely to occur when a bank \_\_\_\_.

- A. holds more Nigerian government securities
- B. suffers large deposit outflows
- C. holds more excess reserves
- D. has more bank capital
- E. has large deposit inflows

The correct answer is option [B]

42. When a N10,000 cheque written on Zenith Bank is deposited in an account at the Unity Bank, then \_\_\_\_.

- A. the liabilities of Zenith Bank increases by N10,000
- B. the reserve of Zenith Bank increases by N10,000
- C. the liabilities of Unity Bank falls by N10,000
- D. the reserve of Unity Bank increases by N10,000

The correct answer is option [D]

43. Contractual savings institutions include \_\_\_\_.

- A. commercial banks and thrifts
- B. life insurance companies and pension funds
- C. finance companies and mutual funds
- D. all of the above

The correct answer is option [B]

44. A rise in the market price of a fixed interest security is an indication that the \_\_\_\_\_.

- A. supply of money has decreased
- B. liquidity preference has increased
- C. market rate of interest has risen
- D. market rate of interest has fallen

The correct answer is option [C].

45. In finance we refer to the market for short-term government and corporate debt securities as the \_\_\_\_\_ market.

- A. money
- B. capital
- C. primary
- D. secondary
- E. tertiary

The correct answer is option [A]

46. Which of the following is a source of commercial bank funds?

- A. Deposits.
- B. Capital.
- C. Non deposit borrowing.
- D. All of the above.

The correct answer is option [D]

47. Which of the following is NOT a financial intermediary?

- A. Commercial banks.
- B. Insurance companies.
- C. Pension funds.
- D. Mutual funds.

E. Petroleum Trust Fund.

The correct answer is option [E]

48. Bill of exchange originated from \_\_\_\_\_

- A. the Central bank
- B. commercial banks
- C. community banks
- D. development banks
- E. mortgage banks

The correct answer is option [B].

49. Financial intermediaries promote efficiency and thereby increase people's wealth by \_\_\_\_\_.

- A. reducing the transaction cost of linking together lenders and borrowers
- B. making the rich poor
- C. providing additional jobs
- D. increasing the transaction cost of linking together lenders and borrowers

The correct answer is option [A]

50. Which of the following is a liability of a commercial bank?

- A. Deposits.
- B. Money at call.
- C. Loans to customers.
- D. Overdrafts.

The correct answer is option [C].

51. Banks create money when they \_\_\_\_\_.

- A. reduce loans and sell securities
- B. expand loans and sell securities



- C. reduce loans and buy securities
- D. expand loans and buy securities

The correct answer is option [D]

52. One of the functions of savings banks is that they assist in \_\_\_\_\_.

- A. reducing the inequality of incomes.
- B. mobilizing funds for investment in the rural areas.
- C. promoting economic progress of urban centres.
- D. distributing money among investors in the rural areas.

The correct answer is option [B].

53. Which of the following is an asset on the commercial bank balance sheet?

- A. Capital accounts.
- B. Deposits with Central Bank.
- C. Transactions deposits.
- D. None of the above.

The correct answer is option [B]

54. Brokers are distinguished from dealers because they do not \_\_\_\_\_.

- A. hold inventories of securities
- B. make profits
- C. incur losses
- D. deal directly with the public

The correct answer is option [A]

55. The primary objective of the Nigerian Industrial Development Bank (NIDB) is the provision of loans to \_\_\_\_\_.

- A. farmers

- B. manufacturers
- C. estate agents
- D. transporters

The correct answer is option [B].

56. The Lagos Clearing House is \_\_\_\_\_.

- A. a commodity market
- B. an import license center
- C. the Lagos Stock Exchange
- D. an insurance and underwriting center
- E. a cheque sorting center

The correct answer is option [E]. This is because banks sort out cheques cashed by clients of other banks and basically adjust their records with other banks to reflect transfer of funds.

57. Financial intermediaries' \_\_\_\_\_.

- A. channel funds from savers to borrowers
- B. greatly enhance economic efficiency
- C. have been a source of many financial innovations
- D. all of the above

The correct answer is option [D]

58. Which of these is NOT among the assets of a commercial bank?

- A. Bills discounted
- B. Cash at hand
- C. Deposits by customers
- D. Loans to customers

The correct answer is option [A]

59. The Central Bank in the United States of America is called \_\_\_\_.

- A. Bank of America
- B. Central Bank of America
- C. Federal Reserve Bank
- D. Central Reserve Bank of America

The correct answer is option [C]

60. The function of the Central Bank of Nigeria as a lender of last resort means that when all other sources fail, \_\_\_\_\_.

- A. the consumer can always borrow from the Central Bank
- B. the government can ask the Central Bank to print more money
- C. commercial banks can raise loans from the Central Bank
- D. commercial banks can deposit money with the Central Bank

The correct answer is option [C].

61. Which of the following is a depository institution?

- A. Life insurance company.
- B. Credit union.
- C. Pension fund.
- D. Finance company.

The correct answer is option [B]

62. Which of the following is a use for commercial bank funds?

- A. Loans.
- B. Securities.
- C. Reserves.
- D. All of the above.

The correct answer is option [D]

63. The Central bank in the United Kingdom is called \_\_\_\_\_.

- A. Bank of England
- B. Bank of the United Kingdom
- C. Bank of London
- D. Central Bank of the United Kingdom

The correct answer is option [A]

64. Which of the following is traded in a money market?

- A. Treasury bonds.
- B. Mortgages.
- C. Common stocks.
- D. Bill of exchange.

The correct answer is option [D]

65. Which of the following is a fundamental commercial bank accounting equation?

- A.  $\text{assets} - \text{capital} = \text{liabilities}$
- B.  $\text{assets} + \text{liabilities} = \text{capital}$
- C.  $\text{assets} - \text{liabilities} = \text{capital}$
- D.  $\text{assets} - \text{sales} = \text{liabilities}$

The correct answer is option [C]

66. In finance, we refer to the market for relatively long-term financial instruments as the \_\_\_\_\_ market.

- A. money
- B. capital
- C. primary
- D. secondary

E. tertiary

The correct answer is option [B]

67. Assumed that the required reserve ratio is 20% and a bank receives a cash deposit of N500 from a new customer. The bank is legally required to \_\_\_\_\_

- A. keep 20% of the N500 as reserves
- B. keep N150 of the N500 as reserves
- C. lend 20% of the N500 and keep the rest as reserves
- D. send 80% of the N500 to the Central Bank of Nigeria

The correct answer is option [A]

68. A bank's primary reserve includes \_\_\_\_\_.

- A. vault cash
- B. deposits at the Central bank
- C. treasury bills
- D. A and B
- E. all of the above

The correct answer is option [D]

69. A bond denominated in a currency other than that of the country in which it is sold is called \_\_\_\_\_.

- A. a foreign bond
- B. an Eurobond
- C. an equity bond
- D. a currency bond
- E. none of the above

The correct answer is option [B]

70. One method through which the Central bank can restrict the commercial bank's power of credit expansion is to \_\_\_\_\_.

- A. demand for increased special deposits
- B. decrease the cash ratio
- C. buy securities in the open market
- D. reduce the rate of interests at which banks borrow from it
- E. none of the above

The correct answer is option [A].

71. The Central Bank of Nigeria (CBN) controls the money supply through all the following EXCEPT\_\_\_\_\_.

- A. lending to the public
- B. bank rate
- C. legal reserve requirement
- D. open market operation

The correct answer is option [A].

72. The effect of an increase in the rate of discount by the Central bank on the commercial bank is that \_\_\_\_\_.

- A. borrowing becomes attractive
- B. borrowing is discouraged
- C. foreign investors are attracted
- D. banks' assets increases

The correct answer is option [B]. The discount rate of the central bank to the commercial bank is the rate at which they lend them money. Therefore, increasing the discount rate will force commercial banks to reduce the rate at which they borrow from the central bank.

73. Insurance companies, pension and provident funds and unit trusts are all examples of \_\_\_\_\_.

- A. rural-based revenue mobilizers
- B. non-governmental organisations
- C. governmental financial agencies
- D. non-bank financial institutions

The correct answer is option [D].

74. Second hand security is sold and bought in the \_\_\_\_\_.

- A. stock exchange market
- B. capital market
- C. foreign exchange market
- D. money market

The correct answer is option [A]

75. In finance we refer to the market where new securities are bought and sold for the first time as the \_\_\_\_\_ market.

- A. money
- B. capital
- C. primary
- D. secondary

The correct answer is option [C]

76. Which of these is NOT a function of the Central Banks in West Africa?

- A. Dealing in foreign exchange.
- B. Issuing of currencies.
- C. Accepting deposits from private customers.
- D. Acting as the government's bank.

The correct answer is option [C]

## TOPIC: INDUSTRY AND INDUSTRIALISATION

***DIRECTION: Choose the correct answer from the lettered options.***

1. Which of the following will be the effect of allowing only economic factors to dictate the location of industries in Nigeria?

- A. A more even development of the different parts of the country will be assured.
- B. There will be an imbalanced spread in the distribution of industries.
- C. The less developed parts of the country will be able to attract more industries.
- D. Only the government will be able to finance the establishment of industries.

The correct answer is option [B].

2. Which of the following is NOT a factor that should be considered when locating an industry?

- A. Capital.
- B. Nearness to source.
- C. Government policy.
- D. Educational facilities.

The correct answer is option [D]

3. A union composed of workers with the same skill is called \_\_\_\_\_.

- A. a technical union
- B. a craft union
- C. an industrial union
- D. a worker's union

The correct answer is option [B].

4. A majority of multi-national companies in the petroleum industry in Nigeria are \_\_\_\_\_.



- A. refineries
- B. oil marketing and prospecting companies
- C. oil marketing companies only
- D. oil prospecting companies only

The correct answer is option [B].

5. In locating an industry, all of the following factors are considered, except \_\_\_\_\_.

- A. source of capital
- B. labour supply
- C. nearness to market
- D. production processes

The correct answer is option [D].

6. Which of the following is NOT a disadvantage of localization of industries?

- A. Frictional unemployment as a result of a highly specialized pool of labour.
- B. Overgrowth of cities leading to rising land values and accommodation problem.
- C. Over-population in the rural areas.
- D. Environmental pollution resulting from gas and effluent of the factories.

The correct answer is option [C]

7. The following are all factors determining the location of industry EXCEPT \_\_\_\_\_.

- A. minimum wage rate
- B. availability of labour
- C. nearness to raw materials
- D. proximity to market

The correct answer is option [A].

8. Localization of industry is \_\_\_\_\_.

- A. the take over of foreign owned firms by the government of a country

- B. the concentration of related firms in a place
- C. the creation of industries who use locally sourced raw materials
- D. the siting of industries in rural areas

The correct answer is option [B]

9. The following are the disadvantages of concentrating firms in an area EXCEPT that it \_\_\_\_\_.

- A. becomes a target for enemy's attack
- B. brings structural unemployment
- C. creates uneven development
- D. encourages healthy competition

The correct answer is option [D]

10. The cost-saving advantages enjoyed by a firm as a result of improvement in its internal operations is called \_\_\_\_\_.

- A. external diseconomies of scale
- B. external economies of scale
- C. internal diseconomies of scale
- D. internal economies of scale

The correct answer is option [D]

11. A bank will want to hold less excess reserves (all things been equal) when \_\_\_\_\_.

- A. it expects to have deposit inflows in the near future.
- B. brokerage commissions on selling bonds rise.
- C. it expects the supply of money to increase
- D. it expects interest rate to fall

The correct answer is option [A]

12. Which of the following is NOT an advantage of localising industries?

- A. Atmospheric pollution.
- B. Growth of organized markets.
- C. Development of a pool of skilled labour.
- D. Growth of subsidiary firms.
- E. Provision of social amenities.

The correct answer is option [A]

13. The greatest revenue earning industry in Nigeria as at 1990 was \_\_\_\_.

- A. construction
- B. agriculture
- C. manufacturing
- D. mining

The correct answer is option [D].

14. The localization of industries is \_\_\_\_.

- A. the concentration of local industries in a country
- B. the concentration of the firms of an industry in a particular area
- C. the location of a firm at a particular locality
- D. the economic development of a locality
- E. government intervention in the location of industries

The correct answer is option [B].

15. Which of the following is a merit of localization of industries?

- A. It brings about invention and innovation
- B. It causes migration
- C. It causes shortage of social amenities
- D. It causes structural unemployment

The correct answer is option [A]

16. A factor that influences the location of a firm near its market is the \_\_\_\_\_.

- A. transportation of bulky raw materials
- B. external economies of scale
- C. high cost of transporting finished goods
- D. availability of skilled manpower

The correct answer is option [C].

17. A firm enjoys external economies when \_\_\_\_\_.

- A. it achieves cost reductions as a result of the presence of many related firms
- B. it increases cost as a result of the presence of many related firms
- C. its supply contracts are to external countries
- D. there is overcrowding of social amenities

The correct answer is option [A]

18. One of the dangers of the localization of industries is \_\_\_\_\_.

- A. hidden unemployment
- B. frictional unemployment
- C. structural unemployment
- D. cyclical unemployment

The correct answer is option [B].

Hidden unemployment occurs when a person takes up a job which is not his first preference and which he is willing to leave as soon as he gets a better job.

Frictional unemployment occurs when labour is unemployed because the skill available is not the required one. localization of industries gives rise to a highly specialised pool of labour and if employees should lose their jobs, there will be difficulty to find employment elsewhere because their skills and kind of experience may not be useful elsewhere.

Structural unemployment occurs in an industry as a result of relatively permanent fall in demand for its products.

Cyclical unemployment which is also called mass unemployment affects many occupations and industries as a result of a decline in total effective demand throughout the economy.

Seasonal unemployment occurs when the labour force are unable to find employment because of the seasonal nature of economic activities

19. Industrialization means the following, except \_\_\_\_\_.

- A. production activities which result in the output of goods and services
- B. establishment of many industries as possible
- C. a shift from agricultural economy to an industrial one
- D. rendering of services in a factory
- E. none of the above

The correct answer is option [D]

## TOPIC: MONEY AND INFLATION

***DIRECTION: Choose the correct answer from the lettered options.***

1. The best method to curb inflation in Nigeria is to \_\_\_\_.

- A. reduce importation of commodities
- B. increase the general level of production
- C. reduce the volume of money in circulation
- D. set up price control boards
- E. increase the volume of money in circulation

The correct answer is option [C].

2. Which of the following is NOT a cause of inflation?

- A. Excess demand over supply.
- B. Persistent rise in input costs.
- C. A fall in the exchange rate.
- D. Excess supply over demand.

The correct answer is option [D]

3. The value of money is best determined by its \_\_\_\_.

- A. size
- B. purchasing power
- C. portability
- D. acceptability
- E. divisibility

The correct answer is option [B].

4. The term "double coincidence" of wants is usually associated with a \_\_\_\_\_.

- A. multilateral exchange system
- B. monetary exchange mechanism
- C. stock exchange system
- D. barter exchange mechanism

The correct answer is option [D]. Double coincidence of wants is a situation where you get someone that wants to exchange what you have and who in turn has what you want.

5. Which of the following did NOT serve as money in the 17th century?

- A. Gold
- B. Tobacco
- C. Credit cards
- D. Silver

The correct answer is option [C]

6. The monetary base is comprised of \_\_\_\_\_.

- A. currency in circulation and federal reserve notes
- B. currency in circulation and government securities
- C. currency in circulation and reserves
- D. reserves and government securities
- E. all of the above

The correct answer is option [C]

7. The speculative motive for holding money is based on the function of money as a \_\_\_\_\_.

- A. store of value
- B. measure of value
- C. medium of exchange
- D. unit of account

E. standard for deferred payment

The correct answer is option [A]

8. When the Naira depreciates in value, it benefits \_\_\_\_ and harms \_\_\_\_.

A. Nigerian exporters; Nigerian consumers

B. Nigerian exporters; foreign consumers

C. foreign consumers; Nigerian tourists

D. foreign exporters; Nigerian tourists

E. Nigerian consumers; Nigerian exporters

The correct answer is option [A]

9. An increase in costs will \_\_\_\_\_.

A. shift aggregate demand

B. shift aggregate supply

C. reduce the natural rate of unemployment

D. increase the productivity of employees

The correct answer is option [B]. An increase in costs will shift the aggregate supply inwards and increase price.

10. Which of the following is a problem with a payment system based largely on cheques?

A. Cheques are costly to process.

B. A little discrepancy on a cheque can affect payment.

C. Cheques take time to move through the clearing system.

D. All of the above.

The correct answer is option [D]



11. Which of the following statements is NOT correct? The supply of money \_\_\_\_.

- A. is a flow and not a stock
- B. includes current account deposits in banks
- C. can be measured from central bank records
- D. is the total stock of money in an economy

The correct answer is option [A]. A flow is any quantity that must be measured over a period of time. Income is a flow. A stock is any quantity that is measured at a single instant in time. The money supply is a stock.

A few more examples of stocks versus flows: the amount of orange juice I drink in a month is a flow. The amount of orange juice I have right now in my refrigerator is a stock. The amount of water that passes under Woji bridge in an hour is a flow. The amount of water in all the world's oceans is a stock. The number of sheets of 3/4 inch plywood in the warehouse of Ayodele's lumber is a stock. The number it sells in a typical day is a flow.

12. A persistent rise on the general level of prices implies \_\_\_\_.

- A. low circulation of money in the economy
- B. a one-time rise in prices
- C. a steady fall in the purchasing power of money
- D. an economic recession
- E. a lower cost of living

The correct answer is option [C].

13. When interest rates are expected to fall in the future, a banker is likely to \_\_\_\_.

- A. make short term rather than long term loans
- B. buy short term rather than long term bonds
- C. buy long term rather than short term bonds
- D. make long term rather than short term loans
- E. A and B only

The correct answer is option [C]

14. Which of the following bears the most market risk?

- A. Treasury bill
- B. Savings account deposit
- C. Certificate of deposit
- D. Current account deposit
- E. Fixed account deposit

The correct answer is option [A]

15. A lower domestic money supply causes the domestic currency to \_\_\_\_\_.

- A. depreciate more in the short run than in the long run
- B. depreciate more in the long run than in the short run
- C. appreciate more in the short run than in the long run
- D. appreciate more in the long run than in the short run

The correct answer is option [C]

16. The transactions motive of demand for money \_\_\_\_\_.

- A. bothers on the role of money as a medium of exchange
- B. results from the operations of the foreign exchange market
- C. bothers on the role of money as a keep-sake
- D. relates to the monetary value of income-yielding assets

The correct answer is option [A]

17. The best way to reduce the supply of money in the economy is to \_\_\_\_\_.

- A. increase the liquidity ratio
- B. increase the number of bank notes and cheques produced
- C. decrease treasury bills
- D. liberalize access to credit

E. build more central banks

The correct answer is option [A]. Liquidity ratio (reserve ratio) is the amount that banks are expected to hold in the central bank. An increase in the ratio would mean less fund for commercial banks hence fall in money supply.

18. The money set aside for the replacement of capital used in the process of production is known as \_\_\_\_\_.

- A. capital accumulation
- B. capital consumption allowance
- C. evaluation
- D. paid up capital

The correct answer is option [B]. Capital consumption allowance is also known as depreciation.

19. Which of the following is NOT a function of money?

- A. A medium of exchange.
- B. A standard of deferred payment.
- C. A cost of production.
- D. A measure of value.

The correct answer is option [C]

20. Money becomes a very poor store of value in a period of \_\_\_\_\_.

- A. deflation
- B. stable prices
- C. recession
- D. inflation

The correct answer is option [D]. During a period of inflation, the value of money falls due to too much money in circulation.

21. To be considered highly liquid, an asset must \_\_\_\_\_.

- A. not be easily convertible to cash

- B. fluctuate sharply in value
- C. command higher transaction cost
- D. have the ability to be sold quickly and without minimal loss of value

The correct answer is option [D]

22. Inflationary situation occurs when \_\_\_\_\_.

- A. demand equals supply
- B. demand equals zero
- C. demand is greater than supply
- D. supply equals zero

The correct answer is option [C]

23. Which inflation type will result if the price level rose because of an increase in the price of raw materials?

- A. Deflation
- B. Hyperinflation
- C. Demand-pull inflation
- D. Cost-push inflation

The correct answer is option [D]

24. What happens when a nation's money supply persistently increases at a faster rate than it can increase its output of goods and services?

- A. Budget deficits increase.
- B. Inflation occurs.
- C. Real output accelerates.
- D. Standard of living falls.

The correct answer is option [B]

25. Money appears to have a major influence on \_\_\_\_\_.

- A. inflation
- B. the business cycle
- C. interest rates
- D. all of the above

The correct answer is option [D]

26. Budget deficits are important to study in money and banking classes because \_\_\_\_\_.

- A. budget deficits cause banks to fail
- B. without budget deficits banks would not exist
- C. budget deficits may influence the conduct of monetary policy
- D. budget deficits reduce the value of money in the economy

The correct answer is option [C]

27. Our Nigerian monetary system as at 2006 may be characterized as a \_\_\_\_\_.

- A. gold standard system
- B. commodity money system
- C. credit or fiat money system
- D. representative full bodied monetary system

The correct answer is option [C]

28. A crate of Mountain Dew is priced at ₦400.00. This example illustrates money serving as a \_\_\_\_\_.

- A. medium of exchange
- B. measure of value
- C. means of payment
- D. store of value

The correct answer is option [B]

29. Which of the following is most likely to result from a stronger euro?

- A. U.S. goods exported abroad will cost less in Germany, and so Germans will buy more of them.
- B. U.S. goods exported abroad will cost more in Germany, and so Germans will buy more of them.
- C. U. S. goods exported abroad will cost more in Germany, and so Germans will buy fewer of them.
- D. Americans will purchase more foreign goods.
- E. None of the above.

The correct answer is option [A]

30. Suppressed inflation is characterized by \_\_\_\_\_.

- A. use of laws to hold down prices
- B. availability of redundant stocks of money
- C. non-rapid increases in the general price level
- D. All of the above

The correct answer is option [D]

31. The least liquid asset below is\_\_\_\_\_.

- A. treasury bond
- B. money market mutual fund share
- C. savings account deposit
- D. current account deposit

The correct answer is option [A]

32. The best way of combating demand-pull inflation is to \_\_\_\_\_.

- A. increase income taxes
- B. reduce income taxes
- C. increase import duties

D. increase salaries and wages

The correct answer is option [A].

33. Which of the following is NOT a reason for holding money?

A. Ostentation

B. Speculation

C. Transaction

D. Precautionary

The correct answer is option [A].

34. Inflation exists when \_\_\_\_\_.

A. the volume of money in circulation increases

B. there is a sustained upward movement in the prices of essential goods

C. there is a sustained upward movement of the general price level

D. there is a sustained upward movement in the prices of luxury goods

The correct answer is option [C]

35. Which of the following is NOT an effect of inflation?

A. Long-run change in resource allocation.

B. Income redistribution in favour of debtors.

C. Income redistribution in favour of creditors.

D. Destruction of store of value function of money.

E. Reduction in inflow of foreign exchange

The correct answer is option [C]

36. The function of money as a standard of deferred payment \_\_\_\_\_.

A. makes it possible for an individual to build up stores of many things for future use

B. makes it possible for payments to be postponed from the present to a future date

- C. facilitates the exchange of goods and services
- D. makes easy calculations possible

The correct answer is option [B]

37. The conversion of a barter economy to one that uses money \_\_\_\_\_.

- A. increases efficiency by reducing the need to exchange goods
- B. increases efficiency by reducing transaction costs
- C. has no effect on economic efficiency since efficiency is a production concept, not an exchange concept
- D. decreases efficiency by reducing the need to specialise
- E. is of no economic importance

The correct answer is option [B]

38. In Nigeria, the interest rate decisions are taken by the \_\_\_\_\_.

- A. Central Bank of Nigeria (CBN)
- B. forces of demand and supply
- C. monetary policy committee
- D. electorate

The correct answer is option [A]

39. The retail price index is used to \_\_\_\_\_.

- A. construct price lists
- B. compare shop prices
- C. measure changes in the cost of living
- D. compare the differences between wholesaler's price and retailer's price

The correct answer is option [C]

40. A sharp decrease in the growth rate of the money supply is most likely to be followed by\_\_\_\_\_.



- A. a decline in economic activity
- B. an upswing in the business cycle
- C. inflation
- D. hyper inflation

The correct answer is option [A]

41. Which of the following statements is true?

- A. Inflation is defined as a continual increase in the money supply relative to a continual decrease in demand.
- B. Inflation is a condition of a continually rising level of price.
- C. The inflation rate is measured as the rate of change in the aggregate price level.
- D. All of the above
- E. B and C

The correct answer is option [E]

42. Paper money which is NOT backed up by gold or any other valuable metal is known as \_\_\_\_\_

- A. fake money
- B. fiduciary issue
- C. quasi-money
- D. standard coin

The correct answer is option [B]

43. Demand pull inflation may be caused by \_\_\_\_\_.

- A. an increase in costs
- B. a reduction in interest rate
- C. a reduction in government spending
- D. an outward shift in aggregate supply

The correct answer is option [B]

44. Which of the following is a legal tender?

- A. Bank notes
- B. Bank overdrafts
- C. Bill of exchange
- D. Money order

The correct answer is option [A].

45. An increase in aggregate demand is more likely to lead to demand pull inflation if \_\_\_\_\_.

- A. aggregate supply is perfectly elastic
- B. aggregate supply is perfectly inelastic
- C. aggregate supply is unit elastic
- D. aggregate supply is relatively elastic

The correct answer is option [B]

46. Money is a very poor store of value in a period of \_\_\_\_\_.

- A. deflation
- B. stable price
- C. recession
- D. inflation

The correct answer is option [D]

47. One of the following is NOT a concept used when discussing inflation?

- A. Deflation
- B. Slumpflation
- C. Inflationary spiral
- D. Inflationary hike

The correct answer is option [D]

48. Who among the following will benefit from inflation?

- A. Pensioners.
- B. Savers.
- C. Debtors.
- D. Creditors.
- E. Salary earners.

The correct answer is option [C].

49. Which of the following can serve as a store of value?

- A. Land
- B. Money
- C. Gold
- D. All of the above

The correct answer is option [D]

50. A fall in interest rate is likely to \_\_\_\_\_.

- A. increase aggregate demand
- B. increase savings
- C. decrease consumption
- D. decrease exports

The correct answer is option [A]. A fall in interest rate is likely to lead to more borrowing and spending, as a result, will cause an increase in aggregate demand.

51. Fiduciary money means \_\_\_\_\_.

- A. money deposited in a customers' current account with the commercial bank
- B. money backed by the law of the country

C. money held in trust and invested on behalf of a beneficiary.

D. money deposited in a customers' savings account with the commercial bank

The correct answer is option [C].

52. In which of the following ways has inflation adversely affected the country's economy?

A. Increase in money supply

B. A fall in real income

C. Appreciation in the value of money

D. Increased employment

The correct answer is option [B].

53. Bad money has a tendency to drive out good money theory/law was propounded by \_\_\_\_\_.

A. David Ricardo

B. Ibn Khaldun

C. J.S. Mill

D. Thomas Gresham

The correct answer is option [D]

54. Which of the following is NOT a quality of money?

A. Durability

B. Divisibility

C. Portability

D. Medium of exchange

The correct answer is option [D]. All of the options are qualities (characteristics) of money, except option D. Medium of exchange is one of the functions of money.

55. The most correct index for measuring changes in the value of money is \_\_\_\_.

A. value index number

- B. volume index numbers
- C. factor price index
- D. retail price index

The correct answer is option [D]. The retail price index number is also known as cost of living index.

56. The most effective control of inflation is by \_\_\_\_\_

- A. increasing the output of goods and services
- B. wage freeze in the labour market
- C. maximum price legislation in commodity markets
- D. increasing the supply of money in circulation

The correct answer is option [A]

57. An increase in both the legal reserve ratio and discount ratio have the effect of \_\_\_\_\_.

- A. increasing the quantity of money in circulation
- B. decreasing the quantity of money in circulation
- C. increasing the value of money
- D. decreasing the value of money

The correct answer is option [B].

58. To reduce the supply of money, the government could \_\_\_\_\_.

- A. reduce interest rates
- B. buy back government bonds
- C. sell government bonds
- D. encourage banks to lend

The correct answer is option [C]

59. The formular for calculating price index is

- A.  $\text{current price} / \text{base year price} \times 100 / 1$
- B.  $\text{Base year price} \times 100 / \text{Current price} \times 1$
- C.  $\text{Current price} \times \text{base year price} / 100$
- D.  $\text{Current price} \times 100 / \text{weighted price} \times 1$

The correct answer is option [A]

60. An increase in the growth rate of the money supplied is most likely to be followed by \_\_\_\_.

- A. a recession
- B. a decline in economic activities
- C. inflation
- D. deflation

The correct answer is option [C]

61. The function of money which enables it to be used in determining the worth of goods and services is known as

- A. unit of account
- B. medium of exchange
- C. standard of deferred payment
- D. store of value

The correct answer is option [A] A unit of account is a standard monetary unit of measurement of value/cost of goods, services, or assets. It is also known as measure of value.

62. Which of the following payment instruments is least efficient from society's point of view?

- A. Cash
- B. Bank drafts
- C. Credit cards
- D. Cheque

The correct answer is option [C]

63. Which of the following is the most liquid asset to a commercial bank?

- A. Cash
- B. Commercial bills
- C. Money at call and short notices
- D. Stocks and shares

The correct answer is option [A]

64. The indicator of the value of money in the market is \_\_\_\_\_.

- A. consumer's income
- B. the general price level
- C. effective demand
- D. effective supply

The correct answer is option [B]

65. Open Market Operations occur when the government \_\_\_\_\_.

- A. reduces the interest rate
- B. buys and sells bonds and their securities
- C. increases the interest rate
- D. increases taxation

The correct answer is option [B]

66. Excluding required reserves, the sum of vault cash and bank deposits with the Central Bank of Nigeria is called \_\_\_\_\_.

- A. the monetary base
- B. money supply
- C. excess reserves

- D. total reserves
- E. money chain

The correct answer is option [C]

67. Which of the following assets is most liquid?

- A. Two-year treasury bonds.
- B. Shares of common stock.
- C. Cash in bank.
- D. Gold bars.

The correct answer is option [C]

68. The speculative demand for money occurs when \_\_\_\_\_.

- A. individuals hold money in case of an emergency
- B. individuals hold money to buy things
- C. individuals hold money for investment in shares and bonds
- D. individuals hold money to shop

The correct answer is option [C]. Speculative demand for money is the demand to hold money for investment in income yielding assets like bonds and shares.

69. A real value can be derived from a nominal value by \_\_\_\_\_.

- A. adjusting for changes over time
- B. adjusting for data collection errors
- C. adjusting for population changes
- D. adjusting for changes in prices

The correct answer is option [D]

70. Which of the following statements is NOT true of legal tender?

- A. Its most common form is the bank note and coin.
- B. It is used to meet financial obligations.



- C. It must be accepted by a debtor as payment for a debt.
- D. It is backed by the law of the country.

The correct answer is option [C]

71. Inflation is most often caused by \_\_\_\_\_.

- A. supply side forces such as oil prices which increases costs to producers
- B. demand side forces which depress the level of consumer spending
- C. rapid expansion of the money supply
- D. unreasonable wage demands on the part of labour unions
- E. too much savings

The correct answer is option [C]

72. Inflation \_\_\_\_\_.

- A. reduces the cost of living
- B. increases the standard of living
- C. reduces the price of products
- D. reduces the purchasing power of the naira

The correct answer is option [D]

73. The most important attribute of money is \_\_\_\_\_.

- A. homogeneity
- B. relative scarcity
- C. divisibility
- D. general acceptability

The correct answer is option [D].

74. The purchasing power of the Naira will fall when \_\_\_\_\_.

- A. the Naira is devalued

- B. salaries and wages are reduced
- C. there is inflation
- D. there is deflation
- E. there is overpopulation

The correct answer is option [C].

75. Money is most notable in its use as a \_\_\_\_\_.

- A. unit of account
- B. measure of value
- C. medium of exchange
- D. store of value
- E. standard of deferred payment

The correct answer is option [C]. As it is primarily used for transactionary purposes.

76. A tin of milk was 12k in 1987, by 1988, the price rose to 15k. What is the price index?

- A. 120
- B. 125
- C. 128
- D. 132

The correct answer is option [B]

$$\text{Price Index} = \frac{(P1 \times 100)}{(PO \times 1)}$$

Where PO = base year price

P1 = Year under consideration

$$\text{Price index} = \frac{(15 \times 100)}{(12 \times 1)} = \frac{1500}{12} = 125$$

77. Which of the following measures can be used to control inflation?

- A. Decrease in bank rate

- B. Deficit budgeting
- C. Increase in the cost of production
- D. Surplus budgeting

The correct answer is option [D]

78. Which of the following is NOT a characteristic of money?

- A. It is durable.
- B. It is scarce.
- C. It is a unit of account.
- D. It is paper money.

The correct answer is option [D]

79. The effects of inflation on the price competitiveness of a country's products may be offset by \_\_\_\_\_.

- A. an appreciation of the currency
- B. a revaluation of the currency
- C. a depreciation of the currency
- D. lower inflation abroad

The correct answer is option [C]

80. The incidence of coincidence of wants is concerned with \_\_\_\_.

- A. barter transactions being relatively costly, but necessary
- B. the possibility of finding someone who has what you want, and requires what you have
- C. the possibility of finding someone who has what you want at a lesser price than others are offering
- D. the possibility of finding someone or people who have the same needs as you do
- E. all of the above

The correct answer is option [B]

81. Which of the following statements is NOT true of an inflationary period?

- A. Wages rise simultaneously with prices.
- B. The purchasing power of money falls.
- C. More money runs after a limited quantity of goods.
- D. Money supply increases.
- E. Aggregate real demand exceeds aggregate real supply.

The correct answer is option [A]

82. Inflation can be controlled by increasing \_\_\_\_\_.

- A. aggregate supply
- B. government expenditure
- C. aggregate demand
- D. a deficit budget

The correct answer is option [A]. During a period of inflation, prices are rising rapidly due to insufficient supply i.e., demand is greater than supply. At such, it can be controlled by increasing aggregate supply.

83. The real interest rate is defined as \_\_\_\_\_.

- A. the actual interest rate plus the rate of inflation
- B. the actual interest rate minus the rate of inflation
- C. the actual rate people pay rather than the advertised rate
- D. depositing rate minus withdrawal rate
- E. none of the above

The correct answer is option [B]

84. The function of money as a unit of account is also called \_\_\_\_\_.

- A. medium of exchange
- B. measure of value
- C. store of value
- D. standard of deferred payment

The correct answer is option [B]. Unit of account: The money function in which money is used as the common benchmark to designate the prices of goods throughout the economy. Measure of value or unit of account, means money is functioning as the measuring unit for prices. In other words, prices of goods are stated in terms of the monetary unit. This is one of four basic functions of money.

85. The total stock of money available for use in an economy is \_\_\_\_\_.

- A. a function of money
- B. a characteristics of money
- C. the demand for money
- D. the supply of money

The correct answer is option [D].

86. The following are causes of deflation EXCEPT \_\_\_\_\_.

- A. deficit budgeting
- B. increase in bank rate
- C. increase in taxation
- D. surplus budgeting

The correct answer is option [A]

87. The speculative motive for holding money is based on the function of money as a \_\_\_\_\_.

- A. store of value
- B. measure of value
- C. medium of exchange
- D. unit of account

The correct answer is option [A]

88. Trade by barter requires \_\_\_\_\_.

- A. division of labour
- B. unlimited wants
- C. indivisibility of goods
- D. a double coincidence of wants

The correct answer is option [D]. A double coincidence of wants demands that a trader in the barter system would trade his commodity with only an individual who has the commodity he needs and needs the commodity he has.

89. An increase in injections into the economy may lead to \_\_\_\_\_.

- A. an outward shift of aggregate demand and demand pull inflation
- B. an outward shift of aggregate demand and cost push inflation
- C. an outward shift of aggregate supply and demand pull inflation
- D. an outward shift of aggregate supply and cost push inflation

The correct answer is option [A]

90. Monetary policy consists of \_\_\_\_\_.

- A. controlling taxes to influence consumer and business spending
- B. influencing the availability of bank credit by changing interest rates
- C. adjusting the level of government expenditures to stimulate economic activity
- D. influencing the availability of bank credit through increases in tax

The correct answer is option [B]

91. Which of the following is NOT true? The value of money \_\_\_\_\_.

- A. increases when there is an increase in the price level
- B. is dependent on the price level
- C. is the satisfaction money yields as a final good

D. decreases when there is an increase in the price level

The correct answer is option [A]

92. Which of the following forms of money is NOT a near money?

- A. Bank deposit
- B. Bank draft
- C. Money order
- D. Paper money

The correct answer is option [D]

93. Under which of the following situations should borrowing be encouraged?

- A. The interest rate is 20% and expected inflation rate is 15%.
- B. The interest rate is 4% and expected inflation rate is 1%.
- C. The interest rate is 13% and expected inflation rate is 15%.
- D. The interest rate is 10% and expected inflation rate is 15%.
- E. All of the above.

The correct answer is option [D]

94. The motive behind the demand for money for day to day expenses is called \_\_\_\_\_ motive.

- A. transactionary
- B. precautionary
- C. qualitative
- D. speculative

The correct answer is option [A]

95. What happens to bond prices when market interest rates rise?

- A. Bond prices must rise.

- B. Bond prices must fall.
- C. Bond prices will remain the same.
- D. None of the above.

The correct answer is option [B]

96. Which of the following is NOT a legal tender?

- A. A dime
- B. ₦20
- C. An account withdrawal slip
- D. ₦1,000

The correct answer is option [C]

97. Which of the following is NOT a term related to money?

- A. Legal tender.
- B. Solid money.
- C. Convertible money.
- D. Standard coin.
- E. Inconvertible money.

The correct answer is option [B]

98. Cheques are not money because \_\_\_\_\_.

- A. their use is confined to business hours
- B. they are generally accepted in the urban areas, but not the rural areas
- C. they are not generally acceptable as a medium of exchange
- D. they are not issued by government

The correct answer is option [C].

99. Monetary policies do NOT involve \_\_\_\_\_.



- A. increasing import duties
- B. buying or selling treasury bills by the Central Bank
- C. printing of more currency notes
- D. increasing or decreasing cash reserve ratio

The correct answer is option [A]

100. When inflation is due to excess demand, it is called \_\_\_\_\_.

- A. demand - push inflation
- B. stagflation
- C. demand - pull inflation
- D. excess demand inflation

The correct answer is option [C]

101. In the seventies, the level of price in Nigeria doubled. This implies that as a \_\_\_\_\_, money functioned very poorly.

- A. measure of value
- B. unit of account
- C. means of payment
- D. store of value

The correct answer is option [D]

102. Which of the following is NOT true of legal tender?

- A. It is recognized by the law of the country.
- B. It is a medium of exchange.
- C. It is used to meet financial obligations.
- D. Paper currencies and coins are common forms of legal tender.
- E. None of the above.

The correct answer is option [D]

103. Which of the following is a problem of trade by barter?

- A. Exchange rate determination.
- B. Hoarding.
- C. How to produce.
- D. What to produce.

The correct answer is option [A].

104. Due to fear that Nigeria is about to enter a long period of stagnant growth, stock prices fall by 50% on average. What will likely happen to the spending pattern of consumers?

- A. Spending will probably increase.
- B. Spending will probably fall.
- C. Spending will be unaffected.
- D. The change in spending will be ambiguous.

The correct answer is option [B]

105. Which of the following is NOT a characteristic of money?

- A. Durability
- B. Portability
- C. Medium of exchange
- D. General acceptability

The correct answer is option [C]. 'Medium of exchange' is one of the functions of money not a characteristic.

## TOPIC: PRODUCTION AND THE THEORY OF COST

**DIRECTION: Choose the correct answer from the lettered options.**

1. An economy may produce outside the production possibility curve if \_\_\_\_

- A. it is not utilizing its resources fully
- B. it is being productively efficient
- C. it is a mixed economy
- D. it is trading with other economies

The correct answer is option [D]

2. If Marginal Cost is positive and falling: \_\_\_\_\_.

- A. Total Cost is falling
- B. Total Cost is increasing at a falling rate
- C. Total cost is falling at a falling rate
- D. Total Cost is increasing at an increasing rate

The correct answer is option [B]

3. If Total Cost increases from N500 to N600 and output increases from 20 to 30 units. Fixed costs are N200. Which of the following is true?

- A. Marginal Cost is N20
- B. Average Cost falls
- C. Variable Cost rises by N100
- D. Average Fixed Cost is N10

The correct answer is option [C]

Hint:

$$TC = FC + VC$$

4. Which of the factors of production is referred to as a man-made aid to production?

- A. Land
- B. Capital
- C. Labour
- D. Entrepreneurship

The correct answer is option [B]. Capital is called man made aid to production because it includes all those things which are the direct result of human effort and which are later utilised in the production process.

5. The ability of labour to move from one industry to another is called \_\_\_\_\_ mobility

- A. geographical
- B. horizontal
- C. industrial
- D. occupational

The correct answer is option [D]

6. If Marginal product is greater than Average Product: \_\_\_\_\_.

- A. Average product will fall
- B. Total Product will fall
- C. Average Product will rise
- D. output per person will decrease

The correct answer is option [C]

7. Production is important to the economy in the following ways EXCEPT \_\_\_\_\_.

- A. employment creation
- B. encouraging scarcity
- C. higher standard of living

D. improvement in stock of wealth

The correct answer is option [B].

8. The long run is a period during which \_\_\_\_.

- A. a firm cannot vary its factors of production
- B. a firm ceases to be an infant industry
- C. a firm can vary all its factors of production
- D. long term loans are payable

The correct answer is option [C]

9. A production possibility curve shows the amount of \_\_\_\_\_.

- A. resources used to produce a particular commodity
- B. goods that can be exported from the country within a given period
- C. various combinations of two commodities that can be produced
- D. labour resources that can be utilised for maximum production
- E. unskilled, skilled and semi-skilled labour that can be best combined for production

The correct answer is option [C]. A production possibility curve shows the combination of commodities that can be produced at any given time at full employment i.e. with all available resources.

10. What is the total output in tonnes when the fourth man is employed?

Unit of land (in acres)	Number of men employed	Total output of rice (in 000 tonnes)	Marginal Output (in 000 tonnes)	Average Output (in 000 tonnes)
1	1	40	-	40
1	2	100	60	?
1	3	240	?	80
1	4	?	160	100
1	5	550	?	110

- A. 400,000
- B. 500,000
- C. 720,000

D. 770,000

The correct answer is option [A].

$$TP = AP \times L = 100,000 \times 4 = 400,000.$$

11. The first level of output at which the long run Average Costs are minimised is called \_\_\_\_\_.

- A. the minimum efficient scale
- B. the minimum external scale
- C. the maximum external scale
- D. the maximum effective scale

The correct answer is option [A]

12. Economic growth can be shown by?

- A. An inward shift of the production possibility curve
- B. A movement down the production possibility curve
- C. An outward shift of the production possibility curve
- D. A movement up the production possibility curve

The correct answer is option [C]

13. The Average Variable Cost (AVC) \_\_\_\_\_.

- A. is derived from the Average Fixed curve
- B. converges with the Average Cost as output increases
- C. equals the Total Costs divided by the output
- D. equals revenue minus profits

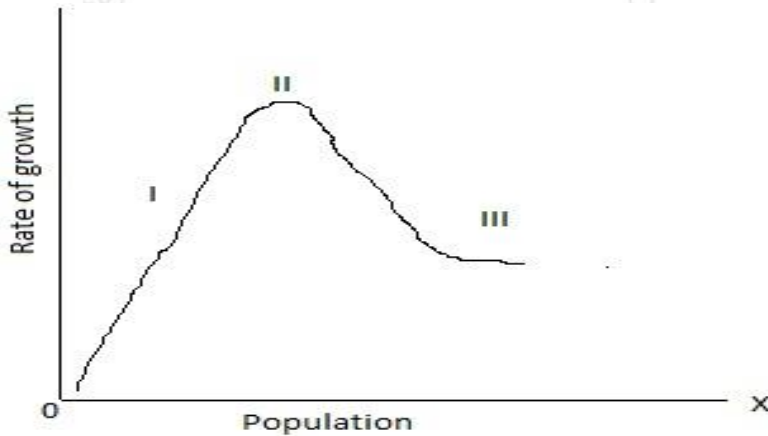
The correct answer is option [B]. Average Variable Cost is the cost per unit. When added to the Fixed Cost per unit, this leads to Total Cost per unit. As output increases, the Average Fixed Cost falls. So the Average Variable Cost and Average Cost converges.

14. The law of diminishing returns assumes that \_\_\_\_\_.

- A. there are no fixed factor of production
- B. there are variable factors of production
- C. utility is maximised when Marginal Product falls
- D. some factors of production are fixed

The correct answer is option [D]

15. In the diagram, the area labelled II represents \_\_\_\_\_ population.



- A. decreasing
- B. increasing
- C. optimum
- D. over

The correct answer is option [C]

16. Which of the following is an example of consumer goods?

- A. Coal
- B. Crude oil
- C. Leather
- D. Radio

The correct answer is option [D].

17. Given that fixed cost is ₦500.00, variable cost is ₦1,500.00 and output is 50 units. What is the average cost of producing one unit?

A. ₦40.00

B. ₦50.00

C. ₦70.00

D. ₦90.00

The correct answer is option [A]

$$\text{Average cost} = \frac{\text{Total cost}}{\text{quantity}}$$

$$\text{Total cost} = \text{Fixed cost} + \text{Variable cost}$$

$$= 500 + 1,500 = 2,000$$

$$\text{Average cost} = \frac{2,000}{50} = 40$$

18. What does the Average Cost measure?

A. The cost per unit

B. The Total Costs

C. The cost per employee

D. The extra cost of producing one more unit

The correct answer is option [A]

19. Which of the following explains marginal costs?

A. Overhead costs plus variable cost resulting from production.

B. The average cost of producing more units of a product.

C. The extra cost of producing more units of a given product.

D. The extra cost of producing one more unit of a given product.

The correct answer is option [D].

$$MP = \frac{(TP2 - TP1)}{Q^2 - Q^1}$$

20. Large-scale production has been encouraged by \_\_\_\_.

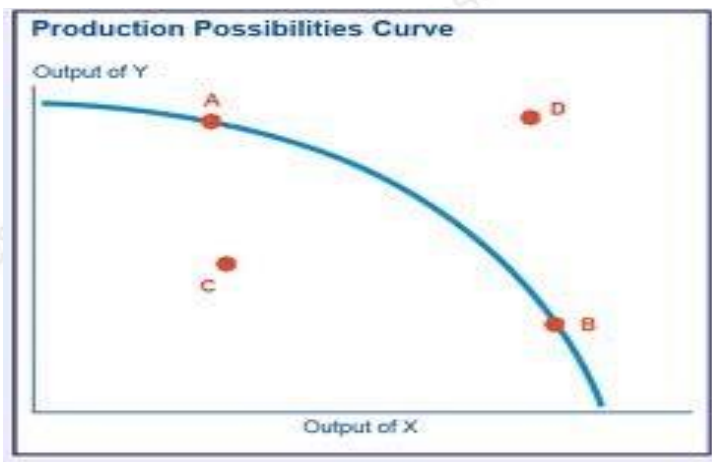
A. an improvement in transport and communication



- B. a rise in people's income
- C. an increase in population
- D. increase in demand
- E. all of the above

The correct answer is option [E]

21. The diagram is the production possibilities curve for an economy. If the economy is producing at point C, which of the following must be true



- I. The economy is not fully employing all its resources
  - II. The economy can increase the production of good X only if it decreases the production of good Y
  - III. The economy can move to the curve without changing current techniques of production.
- A. I only
  - B. II only
  - C. I and III
  - D. II and III only

The correct answer is option [C]. If the economy is producing at point C, it is by definition not fully employing all its resources and can move toward the curve without changing current techniques of production.

22. Mono-product economies are those that \_\_\_\_.

- A. have a rich cultural heritage
- B. produce only raw materials
- C. live solely on the exportation of several products
- D. produce and export one main commodity

The correct answer is option [D].

23. Which of the following is NOT classified as capital as a factor of production?

- A. Machinery.
- B. Offices and factories.
- C. Physical effort by workers.
- D. Roads.

The correct answer is option [C].

The reward to capital is rent whereas the reward to labour is wages. As such option [C] cannot be included in capital as workers are the same as the labour.

24. Which of the following will occur according to the Malthusian theory if population is not checked?

- A. Food will grow at arithmetic progression.
- B. The poor will attack the rich.
- C. A change in government will occur.
- D. There will be famine and misery.

The correct answer is option [D].

25. The best method of production in an underpopulated country is

- A. labour-intensive
- B. labour-extensive
- C. land-intensive
- D. capital-intensive

The correct answer is option [D].

Capital intensive method of production has to do with using machines.

26. If a company doubles all its inputs and discovers that its output more than doubles, we can say that the company is experiencing \_\_\_\_.

- A. increasing marginal utility
- B. diseconomies of scale
- C. increasing returns to scale
- D. constant returns to scale

The correct answer is option [C]

When an input is increased and output rises in a greater proportion than the rise in input, then increasing returns to scale is being experienced.

Increasing marginal utility is the additional utility derived from consuming an additional quantity/unit of a commodity.

27. The major function of an entrepreneur is \_\_\_\_.

- A. price determination
- B. capital mobilization
- C. risk bearing
- D. employment of labour

The correct answer is option [C].

This is because every production activity involves risks that must be taken. Such risks could either result in a loss or profit. Also the one who bears the consequence of all the risk is the employer and in this case, the entrepreneur.

28. Capital as a factor of production is important because \_\_\_\_.

- A. it enables us to carry out tasks which cannot be done by human effort only
- B. without it, every other factor of production is useless
- C. it involves using both physical and mental efforts in the production process
- D. it is responsible for combining the other resources for maximum production
- E. it creates wealth which is essential for the growth of business

The correct answer is option [E].

29. In the study of Economics, the factors of production are \_\_\_\_ in the production process to create commodities.

- A. over-utilised
- B. under-utilized

- C. combined
- D. unlimited

The correct answer is option [C]

30. Which of the following is NOT considered to be an important determinant of productivity?

- A. The available amount of physical capital.
- B. The growth rate of the money supply.
- C. The available amount of natural resources.
- D. The level of technological knowledge.
- E. The skills possessed by human capital.

The correct answer is option [B]

31. Capital goods which either changes its form or is used up in the process of production is known as \_\_\_\_\_ capital

- A. circulating
- B. fixed
- C. paid up
- D. social

The correct answer is option [A]

32. \_\_\_\_\_ goods yield utility over time, have money value and are limited in supply.

- A. Consumer
- B. Wholesale
- C. Permanent
- D. Durable

The correct answer is option [D]. In economics, a durable good or a hard good is a good which does not quickly wear out, or more specifically, it yields services or utility over time rather than being completely used up when used once. Most goods are therefore durable goods to a certain degree. Perfectly durable goods never wear out. As an example, a rubber band is not very durable. Examples of durable goods include

cars, appliances, business equipment, electronic equipment, home furnishings and fixtures etc.

33. Given that fixed cost = 150, variable cost = 350 and quantity = 20 units. What is the average cost?

- A. 10
- B. 20
- C. 25
- D. 50

The correct answer is option [C]

Total cost = Fixed cost + Variable cost

Average cost =  $\frac{\text{Total cost}}{\text{Quantity}}$

Total cost = 150 + 350 = 500

Average cost =  $\frac{500}{20} = 25$

34. If Marginal Costs is positive but falling: \_\_\_\_\_.

- A. Total Cost will rise at a constant rate
- B. Total Costs will rise at an increasing rate
- C. Total Costs will rise at a decreasing rate
- D. Total Costs will be negative

The correct answer is option [C]

35. Decreasing returns to scale implies that if all factors of production are doubled, output will \_\_\_\_\_.

- A. more than double
- B. less than double
- C. be doubled
- D. be unchanged

The correct answer is option [B]. The doubling of factors of production yields a less than a doubling in output.

36. A fall in price \_\_\_\_\_.

- A. will cause an inward shift of the demand curve
- B. will cause an outward shift of the supply curve
- C. may be caused by a fall in demand
- D. leads to a higher level of production

The correct answer is option [C]

37. Technical progress that leads to reduction in cost results in \_\_\_\_\_.

- A. an increase in equilibrium price and quantity
- B. a decrease in equilibrium price and quantity
- C. an increase in equilibrium price and decrease in equilibrium quantity
- D. a decrease in equilibrium price and an increase in equilibrium quantity

The correct answer is option [D].

38. Cost incurred by a firm which is unavoidable, whether in production or not, is referred to as \_\_\_\_\_.

- A. prime cost
- B. variable cost
- C. marginal Cost
- D. fixed Cost
- E. average cost

The correct answer is option [D].

Fixed cost is the cost of production incurred in the form of machinery, warehouse and assets and as such even when there is no production, their cost has already been incurred. They are not affected by the level of output whether the number of units produced increases or decreases.

Prime cost is also known as variable cost. They are the cost of production which have a direct relationship with the level of production.

Marginal cost is the cost of producing one more unit of output. It is the increase in total cost arising from the production of one more unit of the commodity.

Average cost is the cost of producing one unit of output.

39. If firms earn normal profit: \_\_\_\_.

- A. they will aim to leave the industry
- B. other firms will join the industry
- C. the Total Revenue equals Total Costs
- D. No profit is made in accounting terms

The correct answer is option [C]

40. Production is best defined as the \_\_\_\_.

- A. manufacturing of goods by large factories
- B. use of man and machines to produce goods
- C. creation of utility
- D. rendering of pre-sale and after-sale services
- E. all of the above

The correct answer is option [C].

Utility is the satisfaction derived from consumption of goods and services.

Production involves creation of goods and services for consumers to satisfy their wants.

41. Price equals \_\_\_\_

- A. Total Revenue - quantity sold
- B.  $\frac{\text{Total Revenue}}{\text{quantity sold}}$
- C. Total quantity x quantity sold
- D.  $\frac{\text{Total Revenue}}{\text{Total Cost}}$

The correct answer is option [B]

42. An outward shift of the production possibility curve may be caused by \_\_\_\_

- A. an increase in demand
- B. more government spending
- C. better training of employees
- D. productive inefficiency

The correct answer is option [C]. An outward shift of the production possibility curve may be caused by better training of employees because this will make them more productive.

43. The reward for capital is \_\_\_\_\_.

- A. rent
- B. wages
- C. principle
- D. interest
- E. profit

The correct answer is option [D]

44. When internal economies of scale occur: \_\_\_\_\_.

- A. Total Costs falls
- B. Marginal Costs increases
- C. Average Costs fall
- D. revenue falls

The correct answer is option [C]

45. When marginal product (MP) and average product (AP) are equal, \_\_\_\_\_.

- A. MP is maximized
- B. AP is maximized
- C. AP is minimized
- D. MP is minimized

The correct answer is option [B]

46. Which of the following is NOT true about the entrepreneur?

- A. His reward is interest.
- B. He bears all the risk involved in the business.



- C. He takes business decisions.
- D. He organizes other factors of production to achieve maximum production.
- E. He finances the business.

The correct answer is option [A]

47. The reward to land as a factor of production is \_\_\_\_\_.

- A. profit
- B. rent
- C. interest
- D. wage

The correct answer is option [B]

48. \_\_\_\_\_ is a term used to describe the merging of firms, in the same industry, engaged in different stages of production and marketing.

- A. External economics of scale
- B. Vertical integration
- C. Horizontal integration
- D. Parallel integration

The correct answer is option [B].

49. The resources in an economy does NOT include

- A. demand
- B. land
- C. labour
- D. capital

The correct answer is option [A]

50. Which of the following is NOT true?

- A.  $TC = TFC + TVC$
- B.  $ATC = AVC + AFC$
- C.  $AFC = \frac{TFC}{Q}$
- D.  $TVC = \frac{AVC}{Q}$

The correct answer is option [D]

51. The law of diminishing returns assumes all of the following, except \_\_\_\_\_.

- A. a variable factor of production is continuously being increased by a constant amount
- B. all, but one factor of production is held fixed in quantity
- C. total product and average product fall towards zero, while marginal product becomes negative
- D. each extra variable factor added yields more and more addition to the total output
- E. none of the above

The correct answer is option [D]

52. The table shows the short run cost of a firm. What is the firm's marginal cost for the third item produced?

QUANTITY	FIXED COST	VARIABLE COST	TOTAL COST	MARGINAL COST	AVERAGE COST
1	750	200	950		950
2	750	560	1310	360	165
3	750	900	1650	?	550

- A. N350
- B. N340
- C. N360
- D. N370
- E. N505

The correct answer is option [B]

$$MC_3 = TC_3 - TC_2 = 1650 - 1310 = 340.$$

53. If successive units of labour are added to a piece of land while capital and technology remain constant, a point will be reached in the level of production when each additional unit of labour will add less to the output than previous units. This concept is called the \_\_\_\_.

- A. law of constant returns
- B. law of diminishing marginal utility
- C. law of diminishing returns
- D. law of increasing returns

The correct answer is option [C].

54. Assume that one input of a production process is continuously increased by a constant amount while other inputs are held fixed in quantity. The resulting increases begin to diminish after a certain period of time. This production function would be said to exhibit \_\_\_\_.

- A. decreasing returns to scale
- B. constant returns to scale
- C. increasing returns to scale
- D. a zero return to scale

The correct answer is option [A]

55. Any combination of products inside the production possibility curve is

- A. allocatively inefficient
- B. X inefficient
- C. consumer inefficient
- D. productively inefficient

The correct answer is option [D]

56. The reward of entrepreneurship is \_\_\_\_\_.

- A. rent
- B. profit
- C. capital
- D. interest
- E. wage

The correct answer is option [B].

The reward for;

Land is rent

Capital is interest

Labour is wages.

57. A firm is said to have benefitted from external economies in production if it has realized \_\_\_\_\_.

- A. a more efficient management of resources
- B. a better combination of factors of production
- C. reduced resource costs due to operation of other firms
- D. a higher profit level due to increased sales

The correct answer is option [C].

58. Which of the following is NOT a disadvantage of the specialisation and division of labour?

- A. Decline in craftsmanship.
- B. Loss of interest.
- C. Greater risk of unemployment.
- D. Increase in skills and expertise.

The correct answer is option [D]

59. Given that the Total Fixed Cost is ₦1,000, Total Variable Cost ₦2,500 and the output equals 100 units. Find the Average Total Cost of producing one unit.

- A. ₦60
- B. ₦45
- C. ₦35
- D. ₦30
- E. ₦25

The correct answer is option [C].

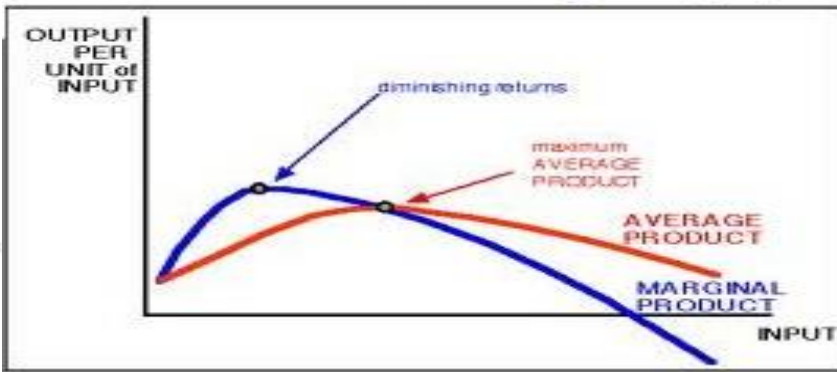
$$TC = TFC + TVC = 1,000 + 2,500 = 3,500$$

$$ATC = \frac{TC}{Q} = \frac{3,500}{100} = 35$$

60. What will happen to marginal product when more units of a variable factor are added to a fixed factor?

- A. It will remain constant
- B. It will decrease, get to the bottom and start increasing
- C. It will double
- D. It will increase, reach optimum and start decreasing

The correct answer is option [D]



61. Fixed costs are \_\_\_\_\_.

- A. constant, regardless of output level
- B. incurred periodically

- C. diagrammatically, a straight line parallel to the x-axis
- D. all of the above

The correct answer is option [D]

62. If Marginal Product is below Average Product: \_\_\_\_.

- A. the Total product will fall
- B. the Average Product will fall
- C. Average Variable Cost will fall
- D. Total Revenue will fall

The correct answer is option [B]

63 Which of the following is NOT a factor that encourages the emergence of large scale enterprise?

- A. Improvement in technology.
- B. Decrease in population.
- C. Increase in income.
- D. Improvement in transport and communication.
- E. Emergence of limited liability companies.

The correct answer is option [B]

64. How many men were employed when marginal output was at the maximum?

Unit of land (in acres)	Number of men employed	Total output of rice (in 000 tonnes)	Marginal Output (in 000 tonnes)	Average Output (in 000 tonnes)
1	1	40	-	40
1	2	100	60	?
1	3	240	?	80
1	4	?	160	100
1	5	550	?	110

A. 1

- B. 2
- C. 3
- D. 4
- E. 5

The correct answer is option [D].

65. Which of the following is true?

- A. If the Marginal Cost is greater than the Average Cost, the Average Cost falls
- B. If the Marginal Cost is greater than the Average Cost, the Average Cost increases
- C. If the Marginal Cost is positive, Total Cost is maximized
- D. If the Marginal Cost is negative, Total Cost increases at a decreasing rate if output increases

The correct answer is option [B]

66. The average output in tones when marginal output is 60,000 is \_\_\_\_.

- A. 30,000
- B. 40,000
- C. 50,000
- D. 100,000
- E. 60,000

The correct answer is option [C].

$$AP = Q/L = 100/2 = 50.$$

67. Which of these features is peculiar to land as a factor of production?

- A. It is a resource.
- B. It is a man-made aid to production.
- C. It is highly immobile.
- D. It has a reward.

The correct answer is option [C]

68. In production, goods and services must possess \_\_\_\_\_.

- A. colour
- B. quantity
- C. utility
- D. beauty

The correct answer is option [C]

69. Which of the following is NOT true about production?

- A. It is the creation of goods.
- B. It involves the rendering of services.
- C. Resources are used up in production.
- D. It uses only nature's free gifts.

The correct answer is option [D]

70. To the economist, cost has to do with \_\_\_\_\_.

- A. optimal allocation of scarce resources
- B. actual monetary flows
- C. a record of transaction in Naira and kobo
- D. the price paid for goods and services

The correct answer is option [A]

71. Efficiency of labour can be measured through \_\_\_\_\_.

- A. division of labour
- B. height of labour
- C. labour leisure
- D. labour output

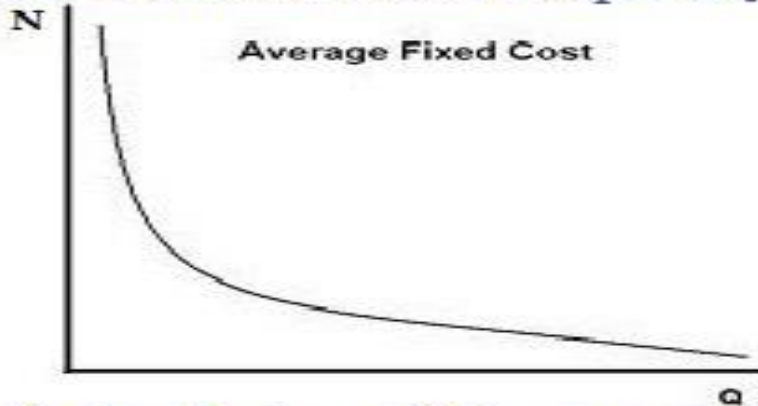
The correct answer is option [D]



72. As output increases, the average fixed cost (AFC) curve \_\_\_\_\_.

- A. falls at first but rises later
- B. falls continuously
- C. remains constant
- D. rises at first, but falls eventually

**The correct answer is option [B]**



**The key feature of this average fixed cost curve is the shape. The average fixed cost curve is negatively sloped. Average fixed cost is relatively high at small quantities of output, then declines as production increases. The more production increases, then the more average fixed cost declines. The reason behind this perpetual decline is that a given FIXED cost is spread over an increasingly larger quantity of output.**

73. Marginal cost is the \_\_\_\_\_.

- A. cost of producing an extra unit of a good
- B. overall cost of production less the variable cost
- C. cost of producing one unit of output
- D. lowest cost of producing goods

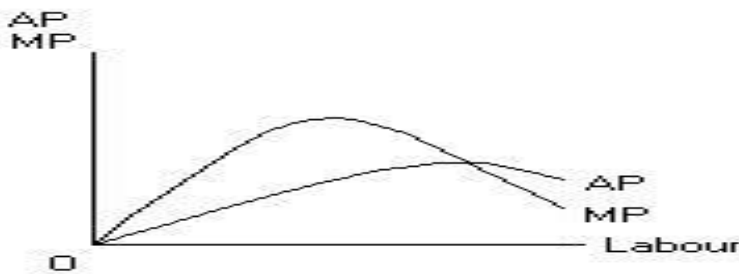
The correct answer is option [A].

74. Cost borne by the general public which results from activities of others is referred to as \_\_\_\_ cost.

- A. fixed
- B. money
- C. real
- D. social

The correct answer is option [D]

75. Which principle is illustrated by the graph above?



- A. The law of comparative cost.
- B. The law of diminishing marginal utility.
- C. The law of diminishing returns.
- D. The Malthusian law of population.
- E. The law of supply.

The correct answer is option [C]. The law of diminishing returns states that Marginal Product will increase until it gets to its peak and then begin to decline as more input (Labour) is employed. Put differently, it states that when successive units of a variable factor is combined with a fixed factor, a point is reached when the variable factor will yield less and less addition to the fixed factor.

76. When the marginal cost of a firm equals its marginal revenue, the firm is said to be \_\_\_\_.

- A. producing at a loss
- B. at a break-even point
- C. making the least profit

- D. maximizing profit
- E. maximizing losses

The correct answer is option [D].

At  $MC = MR$ , The firm is optimal ie making maximum profit or minimizing losses.

77. Which of the following is NOT an advantage of the specialization and division of labour?

- A. Increase in output.
- B. Saving of time.
- C. Increase in skill and performance.
- D. Use of fewer tools.
- E. Monotony of work.

The correct answer is option [E]

78. Division of labour means \_\_\_\_.

- A. dividing labour into different categories
- B. splitting the process of production into different parts to be completed by each person
- C. dividing goods and/or services into different sections
- D. assigning different duties to laborer's in the labour market
- E. a group of laborers working in a factory or shop

The correct answer is option [B]

79. If an economy moves from producing 20 units of Z and 8 units of Y to producing 14 Zs and 9 Ys. The opportunity cost of producing the 9th Y is \_\_\_\_

- A. 14 Zs
- B. 20 As
- C. 6 Zs

D. 1 A

The correct answer is option [C]

80. At a point, firms stop growing because of \_\_\_\_\_.

Fixed Unit of Land	Variable Units of Labour	TP	MP
5	1	10	10
5	2	25	15
5	3	X	21
5	4	60	14
5	5	73	13
5	6	82	Y

- A. poor infrastructural development
- B. limited managerial ability available to the enterprise
- C. rise in cost resulting from complexity that is consequent on expansion
- D. all of the above

The correct answer is option [D]

81. If Marginal Revenue equals Marginal Cost: \_\_\_\_\_.

- A. no profit is made
- B. abnormal profit is realized
- C. profit is maximized
- D. profit is minimized

The correct answer is option [C]. If Marginal Revenue equals Marginal Cost, profits are maximized because there is no extra profit to be made.

82. A short-run period in production is a period too short for a firm to be able to change its \_\_\_\_\_.

- A. scale of operation
- B. total revenue

- C. variable inputs
- D. total outputs

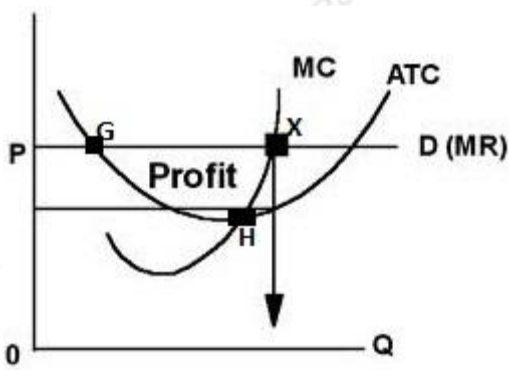
The correct answer is option [C].

83. Which of the following is NOT an output from primary production?

- A. Crude oil
- B. Limestone
- C. Palm kernel
- D. Cement

The correct answer is option [D]

84. The profit maximizing price and quantity for the firm whose cost and revenue curves is shown will be which of the following points?



- A. G
- B. X
- C. H
- D. P

The correct answer is option [B]

85. As the transaction costs of selling an asset rises, the asset is said to become \_\_\_\_\_.

- A. more valuable

- B. more liquid
- C. less liquid
- D. more productive

The correct answer is option [C]

86. Division of labour may be restricted when \_\_\_\_.

- A. producers increase output
- B. the market is small
- C. there is under-employment
- D. there is full employment

The correct answer is option [C]. Division of labour is the separation of a work process into a number of tasks, with each task performed by a separate person or group of persons.

87. According to the law of diminishing returns: \_\_\_\_\_.

- A. the Marginal Product falls as more units of a variable factor are added to a fixed factor
- B. Marginal Utility falls as more units of a product are consumed
- C. the Total Product falls as more units of a variable factor are added to a fixed factor
- D. the Marginal Product increases as more units of a variable factor are added to a fixed factor

The correct answer is option [A]

88. Total Revenue equals \_\_\_\_

- A. price plus quantity
- B. price multiplied by quantity
- C. price divided by quantity

D. price minus quantity sold

The correct answer is option [B]

89. The short-run is a production period in which \_\_\_\_\_.

A. at least one factor of production is fixed

B. all factors of production are variable

C. more than one factor is fixed

D. all factors of production are fixed

The correct answer is option [A].

90. If Marginal Revenue is less than the Marginal Cost, then to maximize profit, a firm should \_\_\_\_\_.

A. reduce output

B. increase output

C. leave output where it is

D. increase cost

The correct answer is option [A]

91. In Economics, the reward for labour is in the form of \_\_\_\_\_.

A. wages

B. profits

C. rent

D. interests

The correct answer is option [A].

92. If TC, FC and VC represent total cost, fixed cost and variable cost respectively, which of the following is correct?

A.  $TC = FC - VC$

B.  $FC = TC + VC$

C.  $TC > FC + VC$

D.  $TC = FC + VC$

The correct answer is option [D]

93. Which of the following would be used to measure efficiency of labour?

A. Input-Output ratio

B. Price level

C. Supply of labour

D. Labour turnover

The correct answer is option [A].

94. Tertiary production involves \_\_\_\_\_.

A. the production of goods in their very natural form

B. the use of raw materials to produce new commodities

C. the distribution of what has been produced

D. the production of basic raw materials

E. the processing of semi-finished goods

The correct answer is option [C]

95. The entrepreneur performs the following functions EXCEPT \_\_\_\_\_.

A. branding and packaging

B. decision making

C. stock breaking

D. management and control

The correct answer is option [C]



96. Efficiency of resource utilization is attained when \_\_\_\_.

- A. production is carried out at a minimum cost
- B. a combination of goods can be produced with available resources
- C. the maximum output is achieved from a given resource
- D. one commodity is sacrificed for the production of another

The correct answer is option [C]. Efficiency involves maximization of production at the most minimized cost.

97. In the history of economic thought, the concept of division of labour is usually associated with \_\_\_\_.

- A. David Richardo
- B. J.M. Keynes
- C. Adams Smith
- D. Karl Marx
- E. Reverend Thomas Malthus

The correct answer is option [C].

98. The marginal output in tonnes when output is 240,000 is \_\_\_\_.

Unit of land (in acres)	Number of men employed	Total output of rice (in 000 tonnes)	Marginal Output (in 000 tonnes)	Average Output (in 000 tonnes)
1	1	40	-	40
1	2	100	60	?
1	3	240	?	80
1	4	?	160	100
1	5	550	?	110

- A. 110,000
- B. 120,000
- C. 140,000
- D. 170,000

The correct answer is option [ C].

$$MP = (Q2 - Q1) / L = (240000 - 100000) / 1 = 140,000.$$

99. Greater inter-dependence among workers in production is associated with \_\_\_\_\_.

- A. utility
- B. manufacturing
- C. division of labour
- D. factory workers

The correct answer is option [C]

100. Let TC, FC and VC stand for Total Cost, Fixed Cost and Variable Cost respectively. Which of the following is correct?

- A.  $TC = FC - VC$
- B.  $FC = TC + VC$
- C.  $TC \geq FC$
- D.  $TC = FC + VC$
- E.  $VC = TC + FC$

The correct answer is option [D]

101. Which of the following guarantees abnormal profits?

- A. When Marginal Cost is greater than Marginal Revenue
- B. When Total Revenue is greater than Total Variable Cost
- C. When Average Revenue is greater than Average Costs
- D. When Average Revenue is greater than Marginal Costs

The correct answer is option [C]

102. The underlying idea under the specialization of labour is \_\_\_\_\_.

- A. the increase in output depends on the particular skill of an individual
- B. concentrating on specific tasks handled by different individuals
- C. one does a job constantly which has the advantage of saving of time

D. one makes use of fewer tools than human efforts

The correct answer is option [B]

103. What does Marginal Product of labour measure?

A.  $\frac{\text{Total Output}}{\text{Number of employees}}$

B. Total Output per worker

C. The extra output produced when you hire another employee

D. The Total Output of employees

The correct answer is option [B]

104. A tent-making factory offers \_\_\_\_\_.

A. personal services

B. indirect services

C. social services

D. reflex services

The correct answer is option [B]

105. As resources are shifted from one industry to another, this can be shown by \_\_\_\_

A. an inward shift of the production possibility curve

B. a movement along the production possibility curve

C. an outward shift of the production possibility curve

D. an outward shift in the demand curve for the products

The correct answer is option [B]

106. Occupational mobility as applied to the factors of production means the ease by which factors can be \_\_\_\_\_.

A. transferred from one level of hierarchy to another

B. transferred from one productive activity to another

- C. transformed from one form to another
- D. transferred from one place to another

The correct answer is option [B]

107. The resources in an economy are \_\_\_\_\_

- A. constantly changing
- B. fixed at any moment
- C. constantly decreasing
- D. cannot be transferred

The correct answer is option [B]

108. Average cost is the \_\_\_\_\_.

- A. total cost of production
- B. extra cost of producing one additional unit
- C. the cost of producing a unit of output
- D. variable cost incurred in producing a unit of output

The correct answer is option [C].

109. If an economy is productively efficient:

- A. everyone is wealthy
- B. resources are unemployed
- C. more of one product can only be produced if less of another is produced
- D. the distribution of income is equal

The correct answer is option [C].

110. Which of the following factors of production is the most mobile?

- A. Entrepreneur
- B. Capital

- C. Land
- D. Labour

The correct answer is option [D].

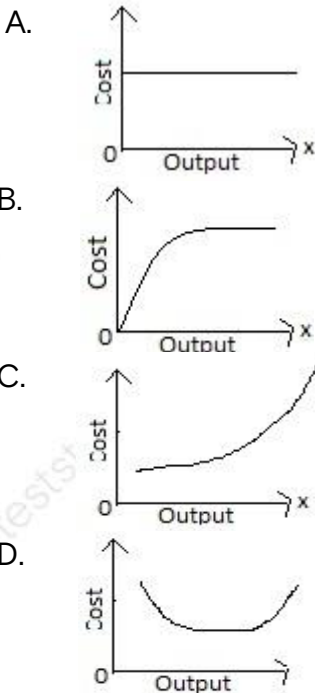
Labour is the only factor that is never fixed and as such it's mobility is easier.

111. In the short run, a firm will produce provided the revenue \_\_\_\_\_.

- A. covers Fixed Costs
- B. covers Variable Costs
- C. covers Total Cost
- D. covers revenue

The correct answer is option [B]

112. Which of the cost diagram in the options represents variable cost?



The correct answer is option [B]

113. Division of labour means \_\_\_\_\_.

- A. organizing people involved in a production process to operate different functions effectively
- B. all the people involved in a production process operate the same function to boost productivity
- C. engaging different people in different occupations irrespective of the skills and expertise
- D. an individual attempts to produce everything
- E. none of the above

The correct answer is option [A]

114. The factors of production include \_\_\_\_.

- A. price, product, place and promotion
- B. land, labour, capital, and entrepreneur
- C. manpower, money, materials and methods
- D. rent, wages, interest, and profits
- E. land, money, market, and middlemen

The correct answer is option [B]

## TOPIC: PUBLIC FINANCE AND FISCAL POLICY

**DIRECTION: Choose the correct answer from the lettered options.**

1. The incidence of an increase in tax on a commodity with perfectly inelastic demand will be on the \_\_\_\_.

- A. producer
- B. retailer
- C. government
- D. consumer

The correct answer is option [D]. A commodity with perfectly inelastic demand appears to have no limit on the tax imposed on it. Since there are no substitutes for such commodities, consumers will continue to buy them no matter the price increase.

2. A tax is defined as regressive if \_\_\_\_.

- A. the proportion of income paid as tax increases as the income level increases
- B. all income groups pay the same percentage of their income as tax
- C. the proportion of income taken as tax falls as income increases
- D. the proportion of income taken as tax is fixed as a normal amount for all income groups

The correct answer is option [C].

3. The yearly money collected by the government in the form of taxes and fines is called \_\_\_\_.

- A. recurrent revenue
- B. capital revenue
- C. subsidies
- D. advances

The correct answer is option [A]

4. The government policy that involves the use of taxation and expenditure instrument to regulate the economy is known as \_\_\_\_\_ policy.

- A. exchange rate
- B. fiscal
- C. monetary
- D. open market

The correct answer is option [B]

5. Which of the following is an example of direct tax?

- A. Customs duties
- B. Excise duties
- C. Purchase tax
- D. Mining rents

The correct answer is option [D]

6. The real interest rate is defined as \_\_\_\_\_.

- A. the actual interest rate plus the rate of inflation
- B. the actual interest rate minus the rate of inflation
- C. the actual rate people pay rather than the advertised rate
- D. the percentage of the principal which is paid or payable over a period of time
- E. none of the above

The correct answer is option [B]

7. Taxation is \_\_\_\_\_.

- A. a compulsory financial contribution to the government
- B. a voluntary financial donation to the government
- C. all money income accruing to governments
- D. all internal recurrent revenue of the government
- E. all capital expenditure of the government



The correct answer is option [A]

8. Which of the following is true about interest rate?

- A. It is the cost of using borrowed funds.
- B. It is a key variable that influences investment in capital goods.
- C. It is strongly influenced by monetary policy actions.
- D. It is the percentage of the principal which is paid or payable over a period of time.
- E. All of the above.

The correct answer is option [E]

9. Fiscal policy entails \_\_\_\_\_.

- A. increasing interest rates
- B. buying or selling of treasury bills by the Central bank
- C. printing of more currency notes
- D. increasing or decreasing cash reserve

The correct answer is option [D]. Fiscal policy is concerned with generating revenue and determining expenditures.

10. In regressive tax system, the \_\_\_\_\_.

- A. the amount of tax paid increases with income
- B. the Marginal Rate of Tax (MRT) decreases with income
- C. The Average Rate of Tax (ART) falls as income increases
- D. The Average Rate of Tax (ART) remains constant as income increases

The correct answer is option [B]

11. Compared with direct taxes, indirect taxes tend to be \_\_\_\_\_.

- A. progressive
- B. proportional
- C. regressive

- D. equitable
- E. none of the above

The correct answer is option [C]

12. In taxation, the benefit principle requires that \_\_\_\_.

- A. those who benefit more from government expenditure be made to pay more taxes
- B. the tax system should allow for changes in time and situations
- C. taxes should be collected at a time convenient for a taxpayer
- D. a taxpayer should be able to work out and know for sure the amount of tax liable
- E. everybody pays an equal amount of tax

The correct answer is option [A].

13. The most important element of public finance is \_\_\_\_.

- A. loans
- B. bonds
- C. monetary policies
- D. taxation

The correct answer is option [D]

14. An ad valorem tax means \_\_\_\_.

- A. the total amount of an income tax
- B. a percentage tax on the value of a commodity
- C. a percentage tax on the profit of a company
- D. a tax on property in a foreign country

The correct answer is option [B]. Ad valorem is also called value added tax (VAT).

15. One disadvantage of direct taxes is that they \_\_\_\_.

- A. allocate scarce resources
- B. are not rigid

- C. can be progressive
- D. can be evaded

The correct answer is option [D]

16. The system of taxation whereby people pay the same percentage of their income as tax is called \_\_\_\_\_ tax.

- A. proportional
- B. direct tax
- C. regressive
- D. progressive

The correct answer is option [A].

17. A tax whose rate increases as income is increased is known as \_\_\_\_\_.

- A. an indirect tax
- B. a progressive tax
- C. a regressive tax
- D. a direct tax
- E. a proportional tax

The correct answer is option [B]. Progressive tax has a positive relationship with income so that when income increases, the rate increases.

18. Which of the following statements is true of capital gains tax?

- A. It is a direct tax.
- B. It is equal to declared dividends.
- C. It is an indirect tax.
- D. It is otherwise called capital transfer tax.
- E. It is paid on income.

The correct answer is option [A]

19. Taxes which are levied on a person's expenditure are known as \_\_\_\_\_.

- A. purchase tax
- B. sales tax
- C. direct tax
- D. income tax

The correct answer is option [A]

Sales tax are levied on volume of sales.

Direct tax are levied directly on income/profit.

Income tax is a system of tax like direct tax, it is levied on income usually with the PAYE system.

20. A rise in the domestic interest rate is associated with \_\_\_\_\_.

- A. a shift in the expected return schedule for domestic deposits to the right
- B. a shift in the expected return for domestic deposits to the left
- C. a shift in the expected return schedule for foreign deposits to the right
- D. a shift in the expected return schedule for foreign deposits to the left

The correct answer is option [A]

21. If the economy grows, the government's budget position will automatically \_\_\_\_\_.

- A. worsen
- B. improve
- C. remain the same
- D. increase with inflation

The correct answer is option [B]

22. A speculative attack against a weak currency might be lessened or eliminated by all of the following except \_\_\_\_\_.

- A. the adoption of capital controls
- B. the taxation of foreign exchange transactions
- C. the adoption of floating exchange rates
- D. the switch from budget surpluses to budget deficits

The correct answer is option [C]

Floating exchange rate or a flexible exchange rate is a type of exchange rate regime wherein a currency's value is allowed to fluctuate according to the foreign exchange market. A currency that uses a floating exchange rate is known as a floating currency. The opposite of a floating exchange rate is a fixed exchange rate.

Fixed exchange rate, sometimes (less commonly) called a pegged exchange rate is a type of exchange rate regime wherein a currency's value is matched to the value of another single currency or to a basket of other currencies, or to another measure of value, such as gold. As the reference value rises and falls, so does the currency pegged to it. A currency that uses a fixed exchange rate is known as a fixed currency.

23. A tax imposed on goods manufactured within a country is called \_\_\_\_\_ tax.

- A. property
- B. capital gains
- C. income
- D. excise

The correct answer is option [D].

24. All of the following are concepts in the theory and practice of taxation, except \_\_\_\_\_.

- A. tax invasion
- B. tax farming
- C. tax avoidance
- D. tax rebate

The correct answer is option [A]

25. An exceptionist fiscal policy could include \_\_\_\_\_.

- A. lower interest rates
- B. increased lending by the banks
- C. an increase in corporation tax
- D. an increase in discretionary government spending

The correct answer is option [D]

26. Which of the following is NOT a term encountered in the theory and practice of taxation?

- A. Tax flow
- B. Tax rate
- C. Tax farming
- D. Tax allowance

The correct answer is option [A]

27. The budget situation whereby in a fiscal year a government's revenue receipts are less than its expenditure is referred to as \_\_\_\_\_.

- A. budget deficit
- B. balanced budget
- C. budget surplus
- D. budget statement

The correct answer is option [A]. If government revenue is less than expenditure, there'll be a deficit, this is because, if you spend (expenditure) more than you make as profit or earn as income (revenue), there'll be a deficit.

28. Which of the following cannot be described as indirect finance?

- A. You take out a mortgage from your bank.
- B. An insurance company lends money to General Motors Corporation.
- C. You borrow ₦1,000 from your best friend.
- D. You buy shares in a mutual fund.

The correct answer is option [D]

29. Budget surplus implies that \_\_\_\_.

- A. expenditure equals revenue
- B. expenditure is less than revenue
- C. expenditure is greater than taxation
- D. direct tax is more than indirect tax

The correct answer is option [B].

30. \_\_\_\_ is NOT a form of direct tax.

- A. Income tax
- B. Excise tax
- C. Company tax
- D. Capital transfer tax
- E. Poll tax

The correct answer is option [B]

31. One of the factors which is likely to check the growth of public debts is \_\_\_\_.

- A. bridging the resources gap
- B. debt repudiation
- C. debt rescheduling
- D. debt equity swap

The correct answer is option [D].

Debt rescheduling means the changing of the terms of repayment of a loan with respect to the period of grace allowed, the overall period of maturity and the interest payable.

Debt equity swap means the giving out of shares of a particular country's companies to foreign creditors in exchange for the debts owed to them.

Debt repudiation: its a unilateral disclaiming of a debt instrument obligation by a debtor.

32. Budget deficits can be a concern because they might lead to \_\_\_\_\_.

- A. lower rates of inflation
- B. lower interest rates
- C. higher volume of money in circulation
- D. excesses in revenue over expenditure in future

The correct answer is option [C]

33. The government of a country derives income through all the following ways, except \_\_\_\_\_.

- A. direct and indirect taxes
- B. proceeds from exports
- C. borrowing
- D. annual budget

The correct answer is option [D]. A budget is a summary of all the expenditure that would be made and all the incomes that would be generated in a country in an accounting year usually one year.

34. The budget of Nigeria will be in deficit if government's \_\_\_\_\_ within a fiscal year.

- A. expected revenue exceeds expected expenditure
- B. capital expenditure exceeds recurrent expenditure
- C. recurrent expenditure exceed capital expenditure
- D. expected expenditure exceeds expected revenue

The correct answer is option [D].



35. Which of the following is an effect in the increase of personal income tax?

- A. Reduces the level of unemployment.
- B. Raises the absolute price level.
- C. Reduces the disposable income.
- D. Distorts the economy.
- E. All of the above.

The correct answer is option [C].

If personal income tax is increased, it will reduce the amount of income that is made available to the owner.

Disposable income is the income from all sources that accrues to household and private non-profit institutions.

36. If tax rate is 20% for 3 individuals on highly different salaries, the tax system is said to be \_\_\_\_.

- A. progressive
- B. proportional
- C. ad-valorem
- D. regressive

The correct answer is option [B]

37. A government might use tax to \_\_\_\_\_.

- A. discourage consumption of normal goods
- B. discourage consumption of public goods
- C. discourage consumption of private goods
- D. discourage consumption of harmful goods

The correct answer is option [D].

38. Incidence of indirect tax when demand is perfectly inelastic is mainly borne by the \_\_\_\_\_.

- A. consumers
- B. government
- C. producers
- D. retailers

The correct answer is option [A]

39. The use of legally permissible means to reduce tax liabilities is known as tax \_\_\_\_\_.

- A. evasion
- B. avoidance
- C. relief
- D. exemption
- E. burden

The correct answer is option [C].

Tax evasion is the use of illegal means to avoid the payment of tax.

Tax avoidance is the use of illegally permitted methods to minimize or even eliminate tax payment.

Tax burden is the absolute amount of money which must be paid in tax.

40. Public expenditure creates inflationary pressure in the economy when it is \_\_\_\_\_.

- A. in excess of government revenue
- B. channeled into productive projects
- C. less than government revenue
- D. channeled into agriculture

The correct answer is option [A].

41. Which of the following is a transfer payment?

- A. Dividend to a shareholder.
- B. Gift to a motherless babies home.
- C. Salary to a worker.
- D. Rent to a landlord.

The correct answer is option [B]. A transfer payment or government transfer or simply transfer is a payment of money from a government to an individual for which no good or service is required in return. Examples of such transfers include welfare, social security, government subsidies, etc.

42. Excise duty is levied on \_\_\_\_\_.

- A. the total population
- B. local products
- C. luxury goods
- D. the working population

The correct answer is option [B]

43. Which of the following is a reason for government borrowing?

- A. To finance multinational companies.
- B. To finance development plans.
- C. To reduce population.
- D. To protect infant industries.

The correct answer is option [B]. This would boost economic activities and encourage economic growth and development.

44. Incidence of taxation refers to the \_\_\_\_\_.

- A. amount collected as taxes
- B. burden of taxation

- C. category of taxes which may be direct or indirect
- D. proportion of a person's income that is paid as tax

The correct answer is option [B].

Incidence of taxation is the final resting place of the burden of a tax i.e. the incidence of taxation is on the person who finally pays it.

45. A chief concern about large budget deficits is that they may lead to \_\_\_\_\_.

- A. lower living standards in the future
- B. lower interest rates in the present
- C. deflation in the future
- D. increased living standard

The correct answer is option [A]

46. Public expenditure on education and health is known as expenditure on \_\_\_\_\_.

- A. general services
- B. community services
- C. social services
- D. economic services
- E. administrative services

The correct answer is option [C].

47. If the Central Bank of Nigeria wants the naira to appreciate, it will likely adopt \_\_\_\_\_.

- A. an expansionary monetary policy
- B. a contractionary monetary policy
- C. a contractionary fiscal policy
- D. an expansionary monetary policy and expansionary fiscal policy

The correct answer is option [B]

## TOPIC: THEORY OF DEMAND, SUPPLY AND PRICE DETERMINATION

***DIRECTION: Choose the correct answer from the lettered options.***

1. If a maximum price is set below equilibrium, there will be \_\_\_\_\_.

- A. a price fall
- B. a price increase
- C. excess supply
- D. excess demand

The correct answer is option [D]. This means, the quantity demanded will be higher than the quantity supplied because the price is too low

2. An increase in price all other things being equal leads to \_\_\_\_\_

- A. a shift in demand outwards
- B. a shift in demand inwards
- C. a contraction of demand
- D. an extension of demand

The correct answer is option [C]

3. If Marginal utility is zero: \_\_\_\_\_.

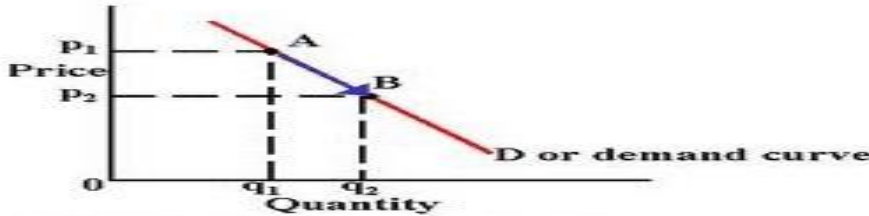
- A. Total utility is zero
- B. an additional unit of consumption will decrease Total utility
- C. an additional unit of consumption will increase Total utility
- D. Total utility is maximized

The correct answer is option [D]. This means there is no extra utility from consuming another unit.

4. Movement along the demand curve indicates \_\_\_\_\_.

- A. a shift in demand unrelated to price
- B. a change in quantity supplied in relation to price
- C. a change in quantity demanded in relation to price
- D. a change in economic theory

The correct answer is option [C]



Change in Quantity Demanded

A change in quantity demanded means a rise (or fall) in the quantity demanded as a result of a fall (or rise) in price. It's a movement along the same demand curve. It merely displays one of the laws of demand which states that, the higher the price, the lower the quantity demanded, and vice versa.

5. The quantity supplied of a commodity increases when \_\_\_\_\_.

- A. production increases
- B. demand increases
- C. price of the commodity increases
- D. the quantity supplied of its substitute decreases
- E. more commodities are imported

The correct answer is option [C]. Following the law of supply, the quantity supplied of a commodity increases when the price of the commodity increases.

6. A decrease in demand for a product should \_\_\_\_\_.

- A. increase equilibrium price and quantity
- B. decrease equilibrium price and quantity
- C. increase equilibrium price and decrease quantity
- D. decrease equilibrium price and increase quantity

The correct answer is option [B]

7. An increase in productivity should \_\_\_\_\_.

- A. lead to a contraction in supply
- B. lead to an expansion of supply
- C. lead to a shift in supply outwards
- D. leads to a higher equilibrium price and lower equilibrium quantity

The correct answer is option [D]

8. What does the first law of demand state?

- A. At the point of equilibrium, the quantity demanded is equal to the quantity supplied.
- B An decrease in demand over supply lowers the market price of a product.
- C. The lower the price of a product, the higher the quantity demanded; and vice-versa.
- D. As the demand of a commodity increases, the price tends to rise.

The correct answer is option [C].

The 1st law of demand for normal goods states that the relationship between price and demand is negative implying that an increase in price will cause a decrease in quantity demanded.

9. Which of the following pairs gives the value of X and Y in the table above

Fixed Unit of Land	Variable Units of Labour	TP	MP
5	1	10	10
5	2	25	15
5	3	X	21
5	4	60	14
5	5	73	13
5	6	82	Y

- A. X = 20, Y = 6
- B. X = 39, Y = 10
- C. X = 40, Y = 11
- D. X = 46, Y = 9

The correct answer is option [D].

Marginal Product for one unit of a commodity =  $TP_2 - TP_1$

10. A change in price can cause a shift of a demand curve.

- A. True
- B. False

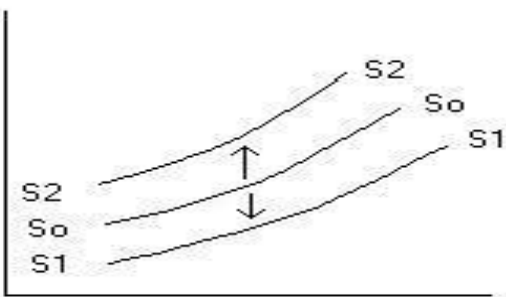
The correct answer is option [B]

11. A shift in demand will have more effect on price than quantity if \_\_\_\_\_.

- A. the price elasticity of supply is price inelastic
- B. the price elasticity of supply is price elastic
- C. the price elasticity of supply is perfectly elastic
- D. the price elasticity of supply is infinity

The correct answer is option [A]

12. A shift in the supply curve to the right will result in \_\_\_\_\_.



- A. fall in both price and supply.
- B. fall in price but increase in supply
- C. rise in quantity supplied
- D. rise in the price and fall in supply

The correct answer is option [C]



13. Which of the following causes the demand curve to shift to the right?

- A. A reduction in the size of the population
- B. An increase in the income of the buyer
- C. A decrease in the price of the good
- D. An decrease in the income of the buyer

The correct answer is option [B]

14. A supply curve is directly affected by \_\_\_\_\_.

- A. technology
- B. input costs
- C. government regulation
- D. all of the above

The correct answer is option [D]

15. When the price of a commodity is below the equilibrium price, the quantity demanded will exceed the quantity supplied. Such a situation is referred to as \_\_\_\_\_.

- A. elastic supply
- B. joint demand
- C. excess supply
- D. none of the above

The correct answer is option [D]. Such a situation is called excess demand.

16. If a price increase of good A increases the quantity demanded of good B, then good B is a \_\_\_\_\_.

- A. substitute good
- B. complementary good
- C. bargain
- D. inferior good

The correct answer is option [A]

17. A change in supply implies a \_\_\_\_.
- A. shift in the supply curve to the right only
  - B. shift in the supply curve to the left only
  - C. shift in the supply curve to the left or right
  - D. movement along the supply curve
  - E. movement along the chain of distribution

The correct answer is option [C].

18. An increase in price will cause a supply curve to shift to the left:
- A. True
  - B. False

The correct answer is option [B]

19. If the demand curve facing a firm is sharply downward sloping, the firm is likely to be \_\_\_\_.
- A. a monopolistic competitor as it can have a limited influence on price
  - B. a monopolist as it can have a great influence on price
  - C. a perfect competitor as it cannot influence the market price
  - D. an oligopolist as it can combine with other firms to have some influence on price

The correct answer is option [B]. The demand curve for any given good or service facing a monopoly is somewhat steeper or more inelastic.

20. At market equilibrium, \_\_\_\_.
- A. buyers and sellers agree on prices
  - B. quantities demanded and supplied are equal
  - C. there is no excess demand
  - D. there is no excess supply
  - E. all of the above

The correct answer is option [E]

21. What is Marginal Revenue?

- A. Price multiplied by quantity sold
- B. Change in average revenue from selling one more unit
- C. Change in total revenue from selling one more unit
- D. Change in total costs from selling one more unit

The correct answer is option [C]

22. When we know the quantity of a product that buyers wish to purchase at each possible price, we know \_\_\_\_\_.

- A. the demand
- B. the supply
- C. excess demand
- D. excess supply

The correct answer is option [A]

23. Price ceilings are imposed price above the free market equilibrium price:

- A. True
- B. False

The correct answer is option [B]. A price ceiling occurs when the government puts a legal limit on how high the price of a product can be. In order for a price ceiling to be effective, it must be set below the natural market equilibrium.

24. If there is an increase in demand without a corresponding increase in supply, there will be a \_\_\_\_\_.

- A. rise in price
- B. shift in demand curve to the left
- C. fall in price
- D. shift in supply curve to the right

The correct answer is option [A].

25. A demand curve can shift because of changing \_\_\_\_\_.

- A. incomes
- B. prices of related goods
- C. tastes
- D. All of the above

The correct answer is option [D]

26. If government places a price ceiling on laces that is below the equilibrium price, which of the following will occur in the market of lace?

- A. There will be shortage
- B. There will be surplus
- C. There will be equilibrium
- D. The supply curve for lace will shift rightward

The correct answer is option [A]

27. An increase in the price of cotton and a simultaneous increase in consumers' incomes will most likely have which of the following effects on the equilibrium price of cotton?

[Hint: Assume cotton to be a normal good].

- A. Decrease in price
- B. Increase in price
- C. No change in price
- D. Negative price

The correct answer is option [B]. An increase in the price of cotton, decreases the supply of cotton fabrics and an increase in incomes will increase the demand for cotton garments, assuming cotton garments are normal goods. These simultaneous shifts in the curves will result in an increase in the equilibrium price

28. \_\_\_\_\_ goods are defined as goods whose consumption falls when consumer income rises.

- A. Normal
- B. Giffen
- C. Inferior
- D. Ostentatious

The correct answer is option [C]

29. A movement along the demand curve for a good is caused by a change in \_\_\_\_\_.

- A. consumer income
- B. the price of the good
- C. consumer taste
- D. the price of other goods

The correct answer is option [B]. All the other options would cause a bodily shift of the demand curve which is referred to as a change in demand.

30. At \$50 per bag of rice, there is an excess supply of \_\_\_\_ bags.

<i>Price per bag (\$)</i>	<i>Quantity demanded</i>	<i>Quantity supplied</i>
<b>50</b>	85	200
<b>40</b>	95	185
<b>30</b>	120	120
<b>20</b>	140	60
<b>10</b>	169	50
<b>5</b>	195	10

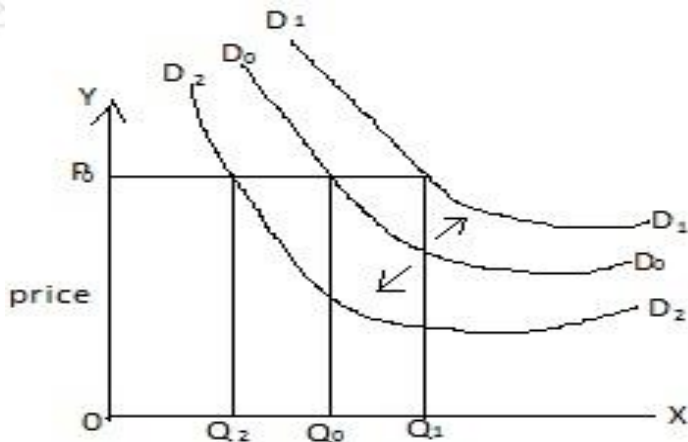
- A. 285
- B. 90
- C. 105
- D. 115

The correct answer is option [D].

Excess supply =  $Q_s - Q_d = 200 - 85 = 115$ .

Use the diagram to answer the question.

31. The diagram describes \_\_\_\_\_.



- A. change in demand
- B. change in supply
- C. change in income
- D. increase in price

The correct answer is option [A]

32. A market equilibrium exists when \_\_\_\_\_.

- A. no buyer goes home empty-handed
- B. demand and supply are increasing at the same time
- C. demand and supply are equal
- D. price is fluctuating

The correct answer is option [C]. Equilibrium is attained at the point where demand equals supply.

33. The slope of a supply curve is \_\_\_\_\_.

- A. horizontal
- B. uniform
- C. positive
- D. vertical

The correct answer is option [C]

34. Giffen goods are those goods \_\_\_\_\_.

- A. which give rise to cobweb situation
- B. for which demand increases as price increases
- C. which has low price elasticity of demand
- D. which are in short supply

The correct answer is option [B].

A product is a Giffen good if a rise in its price makes people buy even more of the product. Giffen goods may or may not exist in the real world, but there is an economic model that explains how such a thing could exist. Giffen goods are named after Sir Robert Giffen. For most products, price elasticity of demand is negative. In other words, price and demand pull in opposite directions; if price goes up, then quantity demanded goes down, or vice versa. Giffen goods are an exception to this. Their price elasticity of demand is positive. When price goes up, the quantity demanded also goes up, and vice versa. In order to be a true Giffen good, price must be the only thing that changes to get a change in quantity demand. The classic example given by Marshall is of inferior quality staple foods, whose demand is driven by poverty that makes their purchasers unable to afford superior foodstuffs. As the price of the cheap staple rises, they can no longer afford to supplement their diet with better foods, and must consume more of the staple food.

35. A normal supply curve is usually positively sloped because the relationship between \_\_\_\_\_.

**Price of X**

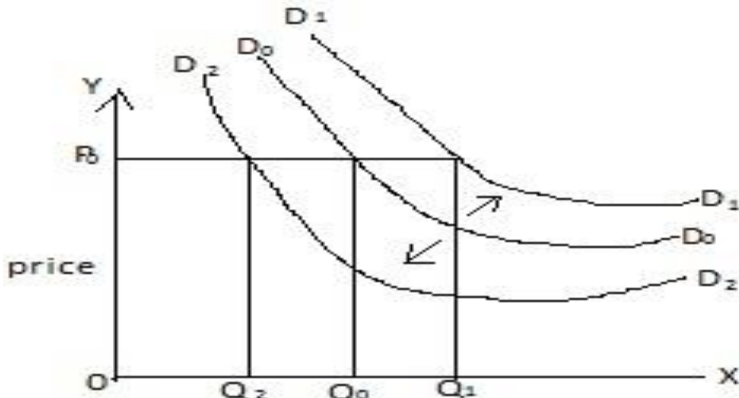


- A. price and supply is positive
- B. demand and price is positive
- C. supply and price is negative
- D. price and demand is negative

The correct answer is option [A].

The positive relationship between price and supply simply means that, supply increases as price rises. This is one of the laws of demand and supply. Use the diagram to answer the question.

36. In the diagram, a shift in the demand curve to the left indicates



- A. decrease in quantity demanded
- B. decrease in demand
- C. elasticity of demand
- D. increase in demand

The correct answer is option [A]

37. Which of the following is NOT true?

- A. Only economic goods can be supplied.
- B. Supply is a flow, and not a stock.
- C. Supply is said to exceed demand when a product is scarce.
- D. The higher the price of a product, the higher the quantity supplied.

The correct answer is option [C]

38. Which best describes a supply curve?

- A. The quantity consumers would like to buy in an ideal world
- B. A supply curve is a graphic representation of the relationship between product price and quantity of product that a seller is willing and able to supply
- C. The quantity producers are willing and able to sell at each and every income all other things being equal

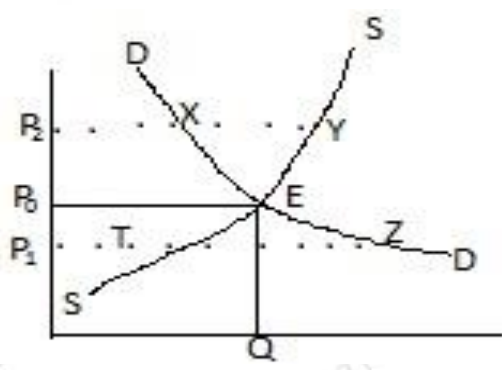


D. A supply curve is a graph depicting the relationship between the price of a certain commodity and the amount of it that consumers are willing and able to purchase at that given price.

The correct answer is option [B]

Use the diagram to answer the question.

39. In the diagram, equilibrium price is labeled \_\_\_\_\_



- A.  $P_2$
- B.  $P_1$
- C.  $P_0$
- D.  $P_1$

The correct answer is option [C]

40. Which best describes a demand curve?

- A. A demand curve is a graph depicting the relationship between the price of a certain commodity and the amount of it that producers are willing and able to produce at that given price.
- B. A demand curve is a graph depicting the relationship between the income of a consumer and the amount of that income that he is willing and able to use for consumption goods.
- C. A demand curve is a graph depicting the relationship between the price of a certain commodity and the amount of it that producers are willing and able to sell at a given price.

D. A demand curve is a graph depicting the relationship between the price of a certain commodity and the amount of it that consumers are willing and able to purchase at that given price.

The correct answer is option [D]

41. A Nigerian household's demand curve for semovita is downward sloping because \_\_\_\_\_.

- A. the demand for semovita is lower than the supply of it
- B. the local markets are flooded with semovita
- C. semovita is produced in Nigeria and for the Nigerian market
- D. every household in Nigeria can afford to buy semovita
- E. the lower prices of semovita attract larger quantities of it

The correct answer is option [E]. A downward sloping demand curve means a negative relationship between price and quantity demanded i.e. the lower the price, the higher the quantity demanded (law of demand).

42. If price falls below the equilibrium price, \_\_\_\_\_.

- A. demand will be equal to supply
- B. demand will be greater than supply
- C. supply will be greater than demand
- D. supply will become indeterminate

The correct answer is option [B]. If price falls below equilibrium price, the quantity demanded will increase because at lower prices, more are demanded but the supply will fall because at lower price, suppliers will supply less (law of demand). This will invariably cause an excess demand for the commodity.

43. \_\_\_\_\_ if the government fix price below the equilibrium price.

- A. there will be excess equilibrium
- B. there will be excess supply
- C. there will be excess demand

D. there will be equilibrium

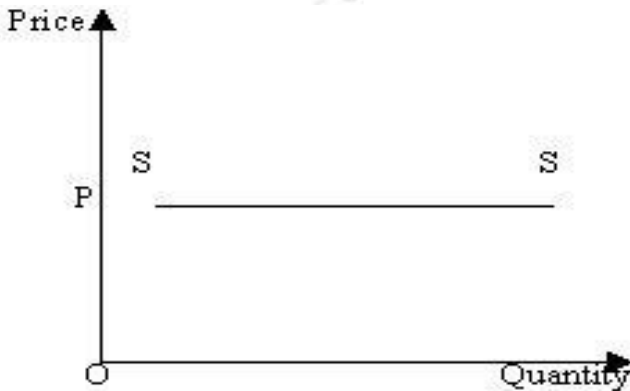
The correct answer is option [C]. When price is fixed below equilibrium, the quantity demanded will be greater than the quantity supplied.

44. When aggregate demand exceeds aggregate supply; there is \_\_\_\_\_.

- A. demand-pull inflation
- B. cost push inflation
- C. fiscal control measure
- D. creeping inflation

The correct answer is option [A]

45. The diagram shows that \_\_\_\_\_.



- A. supply is infinitely elastic
- B. the higher the price, the higher the quantity supplied
- C. the higher the price, the lower the quantity supplied
- D. supply has a unitary elasticity

The correct answer is option [A].

46. An increase in consumer income will increase demand for a \_\_\_\_\_ but decrease demand for a/an \_\_\_\_\_.

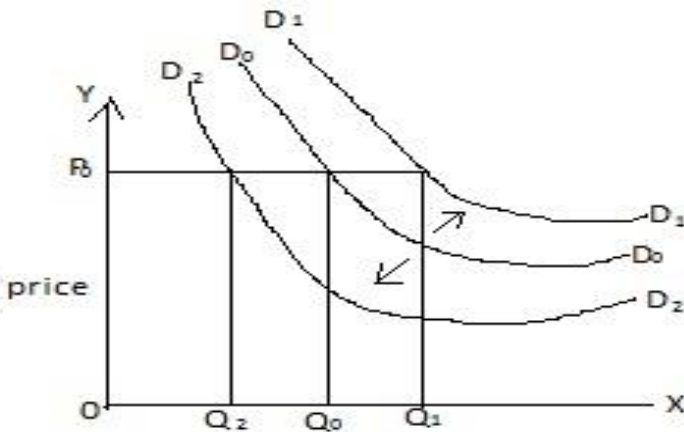
- A. substitute good, inferior good

- B. normal good, inferior good
- C. inferior good, normal good
- D. normal good, complementary good

The correct answer is option [B]

Use the diagram to answer the question.

47. A movement from  $D_0$  to  $D_2$  indicates



- A. change in price
- B. constant demand
- C. decrease in demand
- D. increase in demand

The correct answer is option [C]

48. A contraction in supply occurs when \_\_\_\_\_

- A. the demand curve shifts outwards
- B. quantity demanded falls as a result of fall in income
- C. quantity supplied falls as a result of fall in price
- D. the supply curve shifts outwards

The correct answer is option [C]

49. A decrease in supply with demand remaining unchanged will cause the equilibrium price for a good to \_\_\_\_\_.

- A. be unchanged
- B. remain elastic
- C. remain inelastic
- D. rise

The correct answer is option [D]

50. An inferior good is one \_\_\_\_\_.

- A. that is of poor quality and bad for consumption
- B. that is of a lower price than other goods
- C. that is easily perishable
- D. whose demand falls when the income of its consumers increases
- E. whose demand falls when the income of its consumers decreases

The correct answer is option [D].

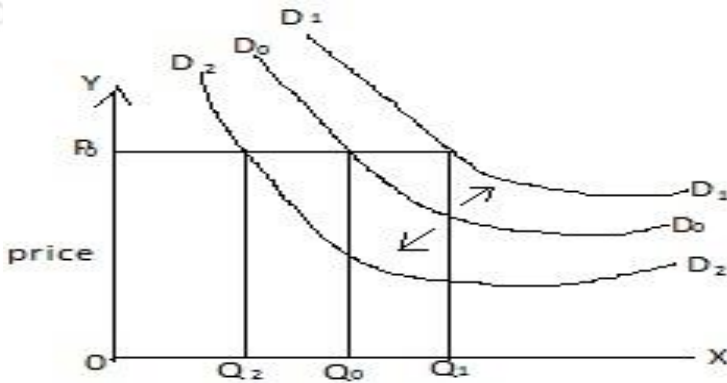
For a normal good, the demand increases with an increase in income, while for an inferior good, the quantity demanded decreases as income increases.

51. \_\_\_\_\_ is the quantity of a good or service which households, firms, and governments are willing to purchase at any given price at a given time.

- A. Supply
- B. Demand
- C. Demand schedule
- D. Substitute

The correct answer is option [B]

52. The shift of curve  $D_0D_0$  to  $D_1D_1$  represents a \_\_\_\_\_.



- A. change in demand
- B. change in quantity demanded
- C. movement along the demand curve
- D. vertical change in demand curve

The correct answer is option [A].

A change in demand is an inward or outward movement of the entire demand curve, while a change in quantity demanded is a shift along the same demand curve.

53. When the demand curve shifts to the right, it indicates that a large quantity is demanded at the same price. This could be the result of \_\_\_\_\_.

- A. a change in income
- B. tax policy
- C. a change in taste and fashion
- D. all of the above

The correct answer is option [D].

54. An increase in price, holding other things constant leads to \_\_\_\_\_.

- A. a shift in supply outwards
- B. a shift in supply inwards
- C. a contraction of supply
- D. an extension of supply

The correct answer is option [D].

Extension of supply is also called expansion of supply.

55. A fall in equilibrium price and an increase in equilibrium quantity will occur due to \_\_\_\_.

- A. a decrease in demand, with supply constant
- B. an increase in demand, with supply constant
- C. an increase in supply, with demand constant
- D. a decrease in supply, with demand constant

The correct answer is option [C]

56. In drawing an individual's demand curve for a commodity, the \_\_\_\_ is not kept constant.

- A. individual's financial income
- B. price of substitutes
- C. price of complementary goods
- D. price of the commodity under consideration
- E. none of the above

The correct answer is option [D].

57. The price of a good rises from N5 to N8 and the quantity demanded fell from 200 to 190 units. Over this price range, the demand curve is \_\_\_\_.

- A. perfectly inelastic
- B. fairly elastic
- C. perfectly elastic
- D. fairly inelastic

The correct answer is option [D].

Perfectly inelastic – the quantity demanded is not responsive to price changes.

Fairly inelastic – a large change in price produces a smaller change in quantity demanded.

Perfectly elastic – is a situation in which the quantity demanded increases without end as price falls

Fairly elastic – a small change in price causes more than a proportionate change in quantity demanded.

Unitary elastic – a small change in price causes the quantity demanded to change in exactly the same proportion.

58. The price mechanism works through the free interaction of \_\_\_\_\_.

- A. supply and price
- B. demand and income
- C. price and income
- D. demand and supply

The correct answer is option [D]

59. According to the law of diminishing utility: \_\_\_\_\_.

- A. utility is at a maximum with the first unit
- B. increasing units of consumption increases the marginal utility
- C. Marginal Product will fall as more units are consumed
- D. Total utility will rise at a falling rate as more units are consumed

The correct answer is option [D]

60. The demand for a good falls from 5 to 3 when the unit price rises from ₦8 to ₦10. This is a case of \_\_\_\_\_.

- A. a contraction in demand
- B. an increase in demand
- C. a change in demand
- D. an expansion in price

The correct answer is option [A]

61. Equilibrium price is the price at which quantity \_\_\_\_\_.

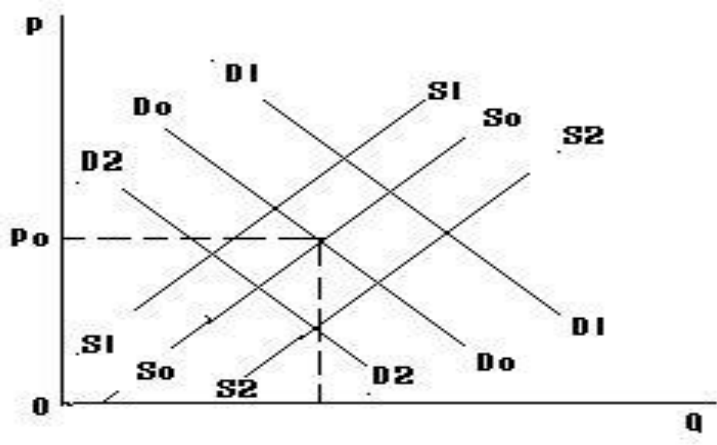
- A. demanded is greater than quantity supplied
- B. supplied is greater than quantity demanded
- C. demanded is equal to quantity supplied



D. supplied equals quantity produced

The correct answer is option [C]

62. If DoDo and SoSo are the demand and supply curves, what happens when government grants subsidies to producers in order to boost output?



- A. The supply curve shifts from SoSo to S2S2
- B. The supply curve shifts from SoSo to S1S1
- C. The supply curve shifts from S2S2 to S1S1
- D. The supply curve shifts from S1S1 to SoSo

The correct answer is option [A].

63. What happens if Marginal Revenue is negative?

- A. Total revenue will fall if another unit is sold
- B. Total revenue will increase by a small amount if another unit is sold
- C. The price of a unit will be negative
- D. Total revenue will increase at a falling amount if more units are sold

The correct answer is option [A]

64. An increase in the price of a complement for product A would \_\_\_\_\_

- A. shift demand for product A outwards

- B. shift demand for product A inwards
- C. shift supply for product A outwards
- D. shift supply for product A inwards

The correct answer is option [B]

Complements are purchased together, an increase in the price of a complement for product A will shift the demand for product A inwards.

65. An increase in price from N25 to N30 leads to an increase in the quantity supplied from 40 units to 44 units. The price elasticity of supply is \_\_\_\_

- A. 2
- B. 0.5
- C. -2
- D. -0.5

The correct answer is option [B]. Quantity supplied increased by 10% while price by 20%; this means, the price elasticity of supply is 0.5.

ES = percentage change in quantity supplied/percentage change in price

Percentage change in price =  $\frac{30 - 25}{25} \times 100 = 20$

Percentage change in quantity supplied =  $\frac{44 - 40}{40} \times 100 = 10$

ES =  $\frac{10}{20} = 0.5$

66. Supply is the quantity of a good sellers wish to sell each time the market opens.

- A. True
- B. False

The correct answer is option [B]

67. If the government fixes prices below the equilibrium level, it will lead to \_\_\_\_.

- A. more of the commodities being supplied
- B. less of the commodities being demanded
- C. shortages in the market

- D. fall in production cost
- E. increases in the market

The correct answer is option [C].

68. Demand for a normal good may shift outwards if \_\_\_\_\_.

- A. price decreases
- B. the price of a substitute falls
- C. the price of a complement rises
- D. income falls

The correct answer is option [B].

A movement along a demand curve is due to price changes; changes in other factors shift the curve.

69. If the price in the market is fixed by the government above the equilibrium: \_\_\_\_\_.

- A. There will be excess equilibrium
- B. There will be excess supply
- C. There will be excess demand
- D. There will be equilibrium

The correct answer is option [B]. The quantity supplied will be greater than the quantity demand

70. An increase in the costs of production will \_\_\_\_\_.

- A. shift demand outwards
- B. shift demand inwards
- C. shift supply outwards, so more is supplied at each and every price, all things being equal
- D. shift supply inwards

The correct answer is option [D]. This will reduce the quantity supplied at each and every price. All other things being equal

71. From the table, what is the equilibrium price?

<i>Price per bag (\$)</i>	<i>Quantity demanded</i>	<i>Quantity supplied</i>
<b>50</b>	85	200
<b>40</b>	95	185
<b>30</b>	120	120
<b>20</b>	140	60
<b>10</b>	169	50
<b>5</b>	195	10

- A. \$50
- B. \$40
- C. \$30
- D. \$20
- E. \$10

The correct answer is option [C].  
 Equilibrium price is that price where  $Q_d = Q_s$  or  $Q_d - Q_s = 0$ . Therefore, the equilibrium price = 30.

72. If the price of a commodity falls and the quantity demanded of it does NOT rise, the commodity can be described as \_\_\_\_\_.

- A. normal
- B. abnormal
- C. superior
- D. inferior

The correct answer is option [C].

73. All things being equal, an increase in the price of a commodity will lead to \_\_\_\_\_.

- A. a fall in the quantity supplied
- B. an increase in the quantity supplied
- C. supply remaining constant
- D. an increase in demand

The correct answer is option [B].

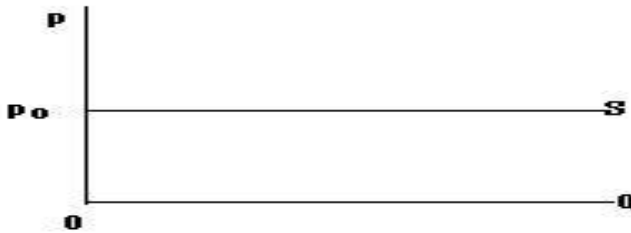
Supply has a positive relationship with price. According to the law of demand and supply, at higher prices, more will be supplied.

74. When supply increases in an agricultural market, farmer's earning might fall because \_\_\_\_\_.

- A. supply is price elastic
- B. demand is price inelastic
- C. the government buys up all the excess production
- D. all output must be sold at a maximum price

The correct answer is option [B]

75. In the diagram, PoS is the supply curve for a particular commodity while Po is the price. Which of the following statements is correct?



- e.
- o.

- D. The quantity supplied is indefinite.
- E. All of the above.

The correct answer is option [A].

## TOPIC: TYPES AND BASIC FEATURES OF ECONOMIC SYSTEMS

***DIRECTION: Choose the correct answer from the lettered options.***

1. A mixed economy contains elements of \_\_\_\_\_.

- A. capitalism and feudalism
- B. capitalism and socialism
- C. socialism and communism
- D. bicameral system of government
- E. capitalism only

The correct answer is option [B].

2. The following are the features of free enterprise economy EXCEPT \_\_\_\_\_.

- A. competition
- B. equitable distribution of income
- C. freedom of individual initiative
- D. private ownership

The correct answer is option [B]

3. An economic system in which the state owns and controls the means of production is known as \_\_\_\_\_

- A. socialist economy.
- B. mixed economy.
- C. capitalist economy.
- D. welfare economy.

The correct answer is option [A].

4. An economic system where individuals are allowed a free hand in the ownership of factors of production is known as \_\_\_\_\_.

- A. capitalism
- B. feudalism
- C. mixed economy
- D. socialism

The correct answer is option [A]

5. Which one of these would NOT be included in the fundamental principles of a free enterprise economy?

- A. Private ownership of resources.
- B. The right to organize factors for productive activity.
- C. The right to make private profit.
- D. Government control of the mobility of factors of production.

The correct answer is option [D].

6. A command economy decides resource allocation by government planning.

- A. True
- B. False

The correct answer is option [A]

7. The economies of most West African states can best be described as \_\_\_\_\_.

- A. socialist
- B. underpopulated
- C. mixed
- D. developed
- E. capitalist

The correct answer is option [C].

8. Which economic system operates in Nigeria?

- A. Capitalist economy.
- B. Mixed economy.
- C. Socialist economy.
- D. Capital and free economy.

The correct answer is option [B]. Nigeria runs an economic system that consists of private control (capital economy) and government control (socialist economy) in different degrees.

9. In a mixed economy, economic \_\_\_\_\_.

- A. problems are solved by the government and market forces
- B. decisions are made by the private sector and market forces
- C. allocations are made by the government
- D. questions are solved by government departments

The correct answer is option [A]

10. In a free market economy, the allocation of the factors of production is determined by the \_\_\_\_\_

- A. workers
- B. needs of the country
- C. price system
- D. government

The correct answer is option [C].

The forces of demand and supply make up the price mechanism. And in a free market, the government scarcely interferes in the running of the market.

11. In a capitalist economy, wealth is likely to be \_\_\_\_\_.

- A. concentrated in a few hands
- B. owned by the government only
- C. evenly distributed
- D. owned by the traders only



E. owned by politicians

The correct answer is option [A].

12. A market structure in which an industry is comprised of only a few firm is known as \_\_\_\_\_.

- A. monopoly
- B. perfect competition
- C. fewopoly
- D. oligopoly

The correct answer is option [D]

13. An economic system in which means of production are owned and controlled by individuals is known as a \_\_\_\_\_ economy.

- A. capitalist
- B. communist
- C. maxlist
- D. socialist

The correct answer is option [A]

14. In which of the following economic systems do we have mostly private ownership of resources and individual decision making?

- A. Capitalist system
- B. Socialist system
- C. Mixed system
- D. Traditional system

The correct answer is option [A]

15. Which one of the following was NOT a socialist country as at September 2012?

- A. Cuba
- B. Albania

- C. Lao Peoples Democratic Republic
- D. Vietnam

The correct answer is option [B]. Albania was until 22 March 1992.

16. Which one of the following was a socialist country as at August 2012?

- A. Vietnam
- B. Afghanistan
- C. Bulgaria
- D. Ethiopia?

The correct answer is option [A]. Afghanistan was a socialist country until 30th November 1987, Bulgaria was until 7th December 1990 and Ethiopia was until 27th May 1991.