



UNN POST UTME PAST QUESTIONS AND ANSWERS
FOR ECONOMICS

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ECONOMIC 2005/06 QUESTIONS

1. Scarcity in economics means that
 - A. Human economy are limitless
 - B. The economy has very few resource
 - C. The economy can scarcely produce anything
 - D. Resources are limited
2. Air is essential to life but commands no price! Diamond is not essential to life but commands high price! This is the paradox of
 - A. Thrift
 - B. value
 - C. abundance
 - D. scarcity
3. economics of scales operate only when
 - A. Marginal cost is falling with input
 - B. Average cost is falling with input
 - C. Fixed cost is variable
 - D. Variable cost is less than fixed cost
4. Efficiency in production involves;
 - A. reducing the size of workforce
 - B. production of a given output with
 - C. adoption of capital intensive technology
 - D. increasing the quantity of the fixed factor of production
5. An effect of inflation is that it
 - A. discourage trade by barter
 - B. favours debtors at the expense of creditors
 - C. increases the real income of salary earners
 - D. increases the values of country's exports
6. The migration of young people from rural areas in Nigeria should help to raise the
 - A. Standard of living in the urban areas
 - B. Total productivity of labour in the rural areas.
 - C. Marginal productivity of labour in the rural areas
 - D. Marginal productivity of labour in the urban areas
7. A modern corporation is owned by
 - A. Debenture holders
 - B. Ordinary shareholders
 - C. Preference shareholders
 - D. Creditors
8. One of the most important factors that should be considered in the location of an industry is:
 - A. Nearness to the financial center
 - B. Assured patronage by government functionaries
 - C. Availability of inputs and markets
 - D. Availability of adequate security
9. What is the term used to describe a policy aimed at promoting the local production of goods which are usually imported
 - A. Deregulation
 - B. Import substitution
 - C. Tariff reduction
 - D. Backward integration
10. Progressive tax structure is designed to:
 - A. Takes more from the income of the poor
 - B. Takes more from the income of the rich
 - C. Takes equal proportion of income from both the rich and the poor.
 - D. Reduces the problems emanating from tax imposition
11. The use of legally permissible means to reduce tax liabilities is known as tax
 - A. Evasion
 - B. avoidance
 - C. relief
 - D. exemption

12. The greatest proportion of government revenue in Nigeria comes

- A. Export of raw material
- B. Income taxes on individuals and businesses
- C. custom duties and excise taxes
- D. loans and grants from industrially advanced countries

13. Privatization of government-owned companies means the

- A. relinquishing of government's equity participation to private individuals
- B. recapitalization of government owned companies
- C. joint participation of government and private individual
- D. commercialization and deregulation of the economy

14. Gains from trade depend on

- A. comparative advantage
- B. absolute advantage
- C. distributive cost advantage
- D. absolute cost advantage

15. A country's import price index by 1995 was 50 and her index if export price was 70 calculate the terms of trade.

- A. 20% B. 71%
- C. 120% D. 140%

ECONOMICS 2005/06 ANSWERS

1. Scarcity is the central or basic economic problems. Human wants are unlimited or insatiable but the means or resources with which to satisfy our multitude of wants are scarce. By scarce, the economist means that resources are limited. **[D]**
2. Value (in economics) is the worth of a commodity or services measured against other commodities

or services. The term generally refers to the total money revenue or price, for which an item will sell. Anything that is both desirable and scarce, such as diamond, can command power in the exchange ratio that is, it can be exchanged for an item of equal or greater worth. **[B]**

3. Economies of scale operate when the average cost of production decreases as output increases. It is the driving force behind all mass production **[B]**

4. In all economic systems, waste should be brought to the minimum in order to achieve optimum productivity of factors. More quantities of the various factors do not matter so much as how efficiently such resources are used. Hence, efficiency in production involves reducing a given output with the lowest cost combination of factors of production **[B]**

5. Inflation has many effects such as:

- . redistribution income
- . creditors lose while debtors gain
- . low level of saving and capital formation **[B]**

6. When more and more people, especially the youths, migrate from the rural areas to the urban areas, they help to raise the marginal productivity of labour in the urban areas. **[D]**

7. A modern corporation is owned by ordinary shareholders because it invites the public to subscribe for share. **[B]**

8. There are so many factors to consider in the location of an industry:

- Proximity to the market
- Government policy

- ease of access to raw materials (inputs)
-nearness to source of power [C]
9. Import substitution is the process by which Africa counties attempt to reduce the importation of manufactured goods by encouraging firms to produce these goods at home [B]
10. Not that tax systems fall into three main categories within the tax code: regressive. Proportional and progressive taxes. Regressive taxes are those tax, also referred to as a flat tax, impacts low-middle-income earners relatively equally. A progressive tax has more of an impact on higher –income individuals and businesses, and less of a financial impact on low-income earners [B]
11. The use of legally permissible means to reduce tax liabilities is known as tax avoidance. It refers to the efforts of a tax payer not to pay tax by finding legal loophole in the tax system. For example, he could discover a rule ambiguously stated. He can therefore easily defend himself legally if he does not pay tax, and interpret the rule in his own way. It is different form tax evasion which means an illegal act whereby people or companies try to pay less tax or even dodge the payment of taxes. [B]
12. Of all the type of taxes, the one that gives Nigeria more revenue than others is indirect tax. Indirect taxes include all custom duties (import and export duties), excise duties, sale tax, purchase tax etc. [C]
13. Privatization of government-owned companies means the sale of businesses and industries so that they are no longer owned by the government. In other words,
- It is the relinquishing of government’s equity participations to private individuals.
14. International trade is based on the theory of comparative costs which is an extension of the principle of comparative advantage. The law of comparative costs suggests that a country will produce for export those commodities it can produce more cheaply and import those which it can only produce at higher cost. By this such a country will make much gain form trade. [A]
15. Terms of trade is the rate which country’s exports are exchanged for its imports. It is the price ratio between export and imports, and measured by using the formula:
- $$\frac{\text{index of average export price}}{\text{index of average improt price}} \times \frac{100}{1}$$
- From the given problem.
Import price index =50
Export price index =70
Terms of trade = $\frac{70}{50} \times \frac{100}{1} =140$ percent [D]

SUMMARY OF ANSWERS
[ECONOMICS 2005/06]

1.D 2.B 3.B 4.B 5.B
6.D 7.B 8.C 9.B 10.B
11.B 12.C 13.A 14.A 15.D

ECONOMICS 2006/07 QUESTIONS

Indicate the correct option in each of the following questions*

- Which of the following best describes the production function?
 - It indicates best output to produce
 - It relates naira inputs to naira outputs
 - It relates physical outputs to physical inputs.
 - It indicates the best way to combine factors to produce any given output.
- Given perfect competition in the capital market, the opportunity cost of capital is adequately reflected by the
 - Interest rate
 - Returns on capital
 - Alternate capital forgone
 - Shadow price of foreign
- Which of the following reward is associated with entrepreneurship as a factor of production?
 - salaries
 - profits
 - interests
 - rents
- In a market economy, the question of what, how and for whom to produce are solved by the
 - elected representative of the people
 - planning committee
 - price mechanism
 - government
- At any given level of output, a firm's total variable cost equals.
 - total cost less marginal cost
 - total cost less total cost
 - total cost less average cost
 - average variable cost and marginal variable cost.
- The estimated dependency ratio of the population shown above is:
 - 11:9
 - 9:11
 - 7:3
 - 3.7
- Which of the following factors is NOT responsible for the rural/urban drift in Nigeria?
 - The infrastructural facilities in the cities
 - Declining fertility if rural farmlands
 - Rural electrification programme
 - Higher living standards in urban area
- The necessity of choice is due to the fact that
 - Human wants are insatiable
 - Customers like to maximize satisfaction
 - Resources are abundant
 - Consumers are selective.
- What is meant by labour supply?
 - Number of people in working population
 - Number of men and hours they work.
 - Number of hours during which the middle-aged persons work
 - Number of workforce multiplied by the hour they worked
- Any payment to a factor of production in excess of what is necessary to keep its present employment is known as
 - Real income
 - profit
 - economics rent
 - real wage
- The market where there are many differentiate products is called:
 - monopoly
 - perfect competition
 - monopolistic competition
 - oligopoly
- one of the dangers of localization of industries is age groups (years) distribution (%)

- A. Residual unemployment
- B. Mass unemployment
- C. Structural unemployment
- D. Cyclic unemployment

13. In commercial banking, an account from which a customer cannot withdraw money instantly is a

- A. Demand deposit account
- B. Time deposit account
- C. Special deposit account
- D. Saving deposit account

14. Banks can create more money by:

- A. Increasing their cash ratio with the central bank
- B. Issuing more bank cheques
- C. Accepting more deposit from customers
- D. Lending out money from customer's deposits

15. The most important factor in ensuring Economic development is the

- A. effective mobilization of domestic saving
- B. presence of foreign account
- C. formulation of appropriate government policies.
- D. Attraction of foreign aids and grants

ECONOMICS 2006/07 ANSWERS

1. Production function relates physical outputs physical inputs. A production function tries to relate what is produced to what is used producing it.

Ans. C

2. Given perfect competition in the capital market. The opportunity cost of capital is adequately reflected by the alternate capital foregone. **Ans. C**

3. The reward which accrues to the entrepreneur as a factor of production is profit. Profit is the monetary difference between the cost of production and marketing goods and services and the price subsequently receives. **Ans. B**

4. A market economy is an economy in which decisions regarding investment, production, and distribution are based on market determined supply and demand, and prices of goods and services are determined in free price system.

Ans. C

5. At any given level of output, a firm's total variable cost equals total cost less total fixed cost. The total variable cost includes the cost of buying raw materials and the cost of labour. It changes with output (or scale of production). If

$$\text{Total cost} = \text{TC}$$

$$\text{Total fixed cost} = \text{TFC}$$

$$\text{Total variable cost} = \text{TVC}$$

$$\text{Then, } \text{TVC} = \text{TC} - \text{TFC}$$

6. $30 + 25:45 = 55:45 = 11:9$

Ans. A

7. Rural electrification programme is not responsible for the rural/urban drift in Nigeria.

Ans. C

8. The necessity of choice is due to the fact that human wants are insatiable. Since wants are unlimited and the resources available to satisfy them are limited, choice is constantly made between alternative wants. **Ans. A**

9. The term labour supply means the total number of people available for employment in a country; that is, the total

Working population or labour. **Ans. A**

10. Any payment to a factor of production in excess of what is necessary to keep that it presents employment is known as economic rent. **Ans. C**
11. The market where there are many differentiated products is called monopolistic competition. This means that the products or commodities are not homogenous. **Ans. C**
12. The term localization of industry refers to the concentration of many firms of an industry in a particular area. Such firms produce commodities which belong to the same industrial group. One of the danger of localization of industries is structural unemployment. This arises if there is a fall in demand for products of a highly localized industry. The industry would decline and many workers have to be retrenched, resulting in mass unemployment. **Ans. C**
13. In commercial banking, an account from which a customer cannot withdraw money instantly is a time deposits account. **Ans. B**
14. Banks can create more money (credits) by lending out money form customer's deposits. **Ans. D**
15. The most important factor in ensuring economic development is sound economic planning and the formulation of appropriate government policies. **Ans. C**

Summary of Answers
[ECONOMICS 2006/07]
1.C 2.C 3.B 4.C 5.B 6.A 7.C 8.A 9.A
10.C 11.C 12.C 13.B 14.D 15.C

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