

INSTRUCTIONS: Write only the letter A, B, C or D, corresponding to the correct answer for question 1 to 20 and answer in the order in which they appear.

- 1) What is Pareto Optimality? A) Productive efficiency B) Allocative efficiency C) productive efficiency D) Global optimum (General Equilibrium)
- 2) A production possibility production curve illustrates the possible combination of A) Factors available from a given cost outlay B) the labour and capital available to a producer C) Two types output from a given resource input D) Two factors required to produce a given output.
- 3) Given that $M_s = 50 - 400i$ and $M_t = 0.2$, then the LM equation is? A) $Y = 1000 + 2000i$ B) $Y = 750 + 2000i$ C) $Y = 750 - 2000i$ D) $Y = 1000 - 2000i$
- 4) The optimum population of a country: A) gives the maximum per capita income B) varies with the state of technological knowledge C) is the optimum population it can support with deprivation D) is the dynamic rate rather than a static concept. Which of these proposals is an unsuitable conclusion?
- 5) Which of these pairs is likely to have a zero cross elasticity relationship? A) Sport cars and Lorries B) fresh peas and frozen peas C) dinner suits and dress shirts D) cars and mini-vans.
- 6) Which of the following is an unlikely objective for an income policy? A) Prevent income from rising faster than production B) redistribute income in favour of the poor C) reduce the need for severe fiscal and monetary policy D) expand aggregate demand when there is a deflationary gap
- 7) Which of the following represents the best way in which the government increases the paper currency component of the money supply? A) Households sell goods to the government in return for currency B) the government gives newly created currency to households C) the government pays for goods and services with newly created currency D) the government exchanges paper currency for government securities.
- 8) Which of the following statements is correct? A) A variable is endogenous if its value is determined by forces outside the model B) A change in an exogenous variable is classified as an autonomous change C) a variable exogenous if its value is determined by forces within model D) there is an imbalance and therefore disequilibrium if there are diverse forces within the system.
- 9) The Isoquant theory is criticized because: A) many factors of production have been substituted B) machines have fixed capacities C) factors of production are not homogenous D) labour is not entirely divisible.
- 10) If involuntary unemployment exists because of lack of spending, then full-employment can be achieved by: A) Lowering the real wage B) lowering money wage C) lowering taxes D) decreasing the quantity of money.

Question 11 is based on the figure 1 below, where a specific tax is placed upon each bottle of brandy sold. S_0 the supply curves before the tax S_1 the supply curve after the tax.

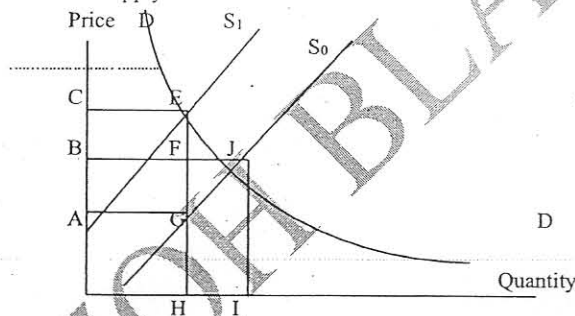


Figure 1

- 11) The revenue the government receives after the imposition of the tax is A) ABFG B) ACEG C) BCEF D) BCEJ
- 12) From the expression MU of good A / Price of good A $<$ MU of good B / Price of good B, a rational consumer: A) would be in equilibrium B) would transfer consumption from good A to good B C) would transfer expenditure from good B to good A D) without knowing the total utilities of good A and B it is not possible to predict the consumers reaction.

- 13) The slope of the isocost curves for a product using land and labour for the production is given by the formula: A) Price of Labour / price of land B) total cost of land / total cost of labour C) marginal physical product of land / marginal physical product of labour D) total cost of land / total price of labour

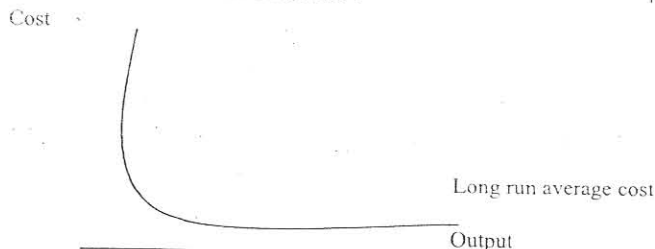
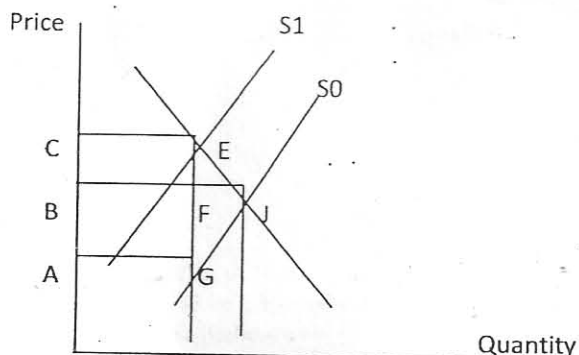


Figure 2

- 14) From the figure 2-a long-run average cost curve, the shape implies: i) there is a cost advantage in allowing a firm to expand beyond the optimum size ii) beyond its optimum size the firm is not experiencing economies of scale iii) throughout its range of output the firm is experiencing increasing returns to scale. Which option is correct? A) i only B) ii only C) iii only D) none of the above.
- 15) Which of the following economists stressed that monopolistic profits are explained by entrepreneurial innovation? A) J.A Schumpeter B) A.C Pigou C) A.H Knight D) N.Kaldor.
- 16) One of the following statement about productivity agreement is incorrect: A) The aim is to give workers more money without increasing total labour cost B) workers in labour intensive industries gain more than those in capital intensive industries C) from 1965 to 1970 the provided exemption from the income policy increase in income norms D) increased manpower utilization is usually achieved through wastage and redundancies.
- 17) In an open economy, the multiplier effect is normally smaller than it is in a closed economy: A) Part of the newly generated income is spent on foreign made goods B) because imports of developing countries are constituted of manufactured goods while exports composed of primary or raw materials C) due to, the fact that monetary value of imports is always greater than that of the exports in an open economy D) because the of the size of the marginal propensity to consume.
- 18) Death duties cannot be justified on grounds that they: A) change the distribution of property ownership B) promote inequality in the holding of money C) are a useful fiscal weapon to lower aggregate consumption D) tax wealth to receiver's efforts.
- 19) Which of the following statements is incorrect? A) A household's average holding of money for transaction increases as the level of disposable income increases B) A household's average holding of money for transaction decreases instead of uniform spending, expenditure are concentrated in the first part of the pay period C) A household's average holding of money for transaction is unrelated its pattern of expenditure D) A household's average holding of money transaction increases as the number of days in the pay period increases

Question 20 is based on figure 3 below which shows the imposition of a tax by the government. S_0 and S_1 respectively represents the supply curves before and after the tax levy and D the demand for the product in question



- 20) The total revenue collected as result of the tax levy: A) ABFG B) ACEG C) BCEF D) BCEJ

Write only the correct word or short phrase (not more than one line) to answer question 21 to 40 in the order in which they appear.

- 21) According totheory of utility, utility cannot be measured and given numerical values.
- 22) The difference between the net national product the gross national product.....
- 23) Goods with a negative cross elasticity are.....
- 24) The price of a product and the quantity demanded has an inverse relationship due to.....
- 25) What two conditions make the difference between pure competition and perfect competition.....?
- 26) One principal source of monopoly power is.....