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ECONOMICS ENSET(HTTTC) 2010 SECOND CYCLE

UNIVERSITY OF YAOUNDE I, ECOLE NORMALE SUPERIEURE ANNEXE BAMBILI, COMMON ENTRANCE
EXAMINATION JULY 2010 SESSION, SECOND CYCLE .PAPER: ECONOMICS (MAJOR) 3HRS

Instructions: Attempt all question in the order in which they appear. Be very brief and to the point with your answers. Do not copy any question.

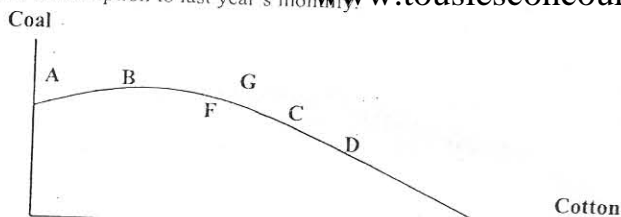
Answer question 1, 2, 3 and 4 on the basis of the following information: Consumers demand theory states that the quantity demanded of a commodity D_x is a function of, or depends on, its price P_x , consumers' income Y , and the prices of other commodities, say Z (P_z).

Assuming that consumers taste remain constant during the period of analysis, state the preceding theory in

- 1) Explicit form
- 2) in stochastic form
- 3) Which are the coefficients to be measured?
- 4) What are they called?
- 5) What is the most important function of descriptive statistics (1 sentence)?
- 6) Is statistical inference associated with deductive or inductive reasoning?
- 7) What are the conditions required in order for statistical inference to be valid (1 sentence)?

With reference to multiple regression analysis (Question 8 to 11) with 2 independent variables indicate the meaning of 8) b_0 9) b_1 10) b_2 11) are b_0 , b_1 and b_2 BLUE? 12) What is meant by testing a hypothesis?

- 13) What is meant by type I and type II errors (2 sentences)?
14) What is meant by the level of significance?
15) Drought conditions create water shortages. Assuming that consumption can be measured for each household, select the water policy below that is most likely to cause the greatest reduction in water used by urban households. A) Give water to users with instructions to use it wisely B) charge a flat (constant fee) of 100 per household, irrespective of the amount of water used c) Raise the price of water from 2% to 5% per gallon with the biggest water users (per capita) paying highest price per gallon D) charge 400 per month and limit household consumption to last year's monthly consumption



- 16) With existing resources in the economy, what is the result of movement from point D to point C? A) production of more cotton and less cotton B) production of less cotton and more coal C) production of more cotton and more coal D) production of less coal and less cotton.
17) An increase in aggregate demand will have more effect on prices if: A) Aggregate supply is inelastic B) Aggregate supply is price elastic C) Aggregate supply has a unitary price elasticity D) Aggregate supply is price inelastic.
18) An increase in aggregate demand if supply is totally inelastic will: A) increase price but not output B) increase price but not output C) increase output and price D) decrease output and price.
19) A higher GDP per capita may not mean that the quality of life has really improved because: A) it measures wealth not income B) it measures Gross Domestic Product C) it does not measure the quality of the items produced D) it is only measured every five years.
20) A reflationary policy: A) increases aggregate supply B) increases aggregate demand C) decreases price level D) increases full employment.
21) Some pressure groups oppose globalization. The best reason for opposing would be. A) World trade may increase B) the marginal social benefits of globalization are less than the cost C) global standard of living may increase D) world income inequality may increase
22) Which of the following is not a way of helping developing economies? A) Aid B) Loans C) protectionism of developed markets D) Training and education programmes
23) Why might a country resist globalization? A) Greater choice of final products B) Greater choice of supplies C) greater competition for domestic firms D) more markets to sell.
24) Earnings from primary products are always unstable because: A) demand is price elastic B) supply is price elastic C) supplies conditions are relatively stable D) supply conditions are unstable
25) An injection of funds into a less developed country might set off the: A) multiplier B) Marginal propensity to save C) Average propensity to consume D) The Laffer effect
26) What is meant an Objective? A) A policy B) A way of reaching a target C) A target D) A strategy
27) Which of the following can the government not use directly to control the economy? A) Pay rates within the private sector B) pay rates in the public sector C) investment in education D) Benefits available for the unemployed and sick.
28) If the unemployment rate is 9% and the actual rate of unemployment is 5% then the A) Frictional unemployment rate is 5% B) the cyclical unemployment rate and the frictional unemployment rate together are 5% C) cyclical unemployment rate is 4% D) natural rate of unemployment will eventually increase.
29) Berry has lost her job in a Garoua textile plant because of import competition. She tends to take a short course in electronics and moves to Douala where she anticipates that a new job will be available. We can say that Berry is faced with: A) secular unemployment B) cyclical unemployment C) Structural unemployment D) frictional unemployment.
Question 30 and 31 are based on the following information about a hypothetical economy: Full-time employed=80, part-time employed=25, unemployed=15, Discouraged workers=5, Members of underground economy=6.
30) The unemployment rate is: A) 18.8% B) 12.5% C) 16.7% D) 25%
31) If the members of the underground economy are presently counted as part of the unemployed fact they are employed, the official unemployment rate is over stated by: A) 0 % point B) 2% points C) 5% points D) 6% points.
32) If the Cameroon unemployment rate is 9% we can infer that: A) The economy is in the expansion path phase of business cycle B) potential GDP is in excess of the actual GDP C) actual GDP is in excess of the potential GDP D) actual GDP is equal to potential GDP.
33) The burden of a tax falls more heavily on the seller in a market when A) both supply and demand are inelastic B) both supply and demand are inelastic C) demand is inelastic and supply is elastic D) demand is elastic and supply is inelastic.
34) According to the Laffer curve, as tax rate increases, tax revenues A) rise continuously B) initially decrease and then increase C) initially increase and then decrease D) initially increases and then decrease.
35) The negative effect on the economy that occurs when average tax rate increases because taxpayers have moved into higher income brackets during an expansion is: A) fiscal drag B) bracket creep C) the Laffer curve D) debt burden.

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