

A. 980; B. 1200; C. 23000; D. 1100

ECONOMICS ENS (HTTC) 2012 SECOND CYCLE

THE UNIVERSITY OF BAMENDA
HIGHER TEACHER TRAINING COLLEGE (HTTC)
DEPARTMENT OF ECONOMICS COMPETITIVE ENTRANCE EXAMINATION: 2012
SECOND CYCLE Major: ECONOMICS

1. Which of these statements is a normative statement? (ECONOMICS ENS 2012)
 - A) Money is the least liquid form of wealth
 - B) Taxes are the best way to discourage smoking
 - C) Some firms are subsidized by the government
 - D) Some workers earn more than others
2. A worker is currently earning 200000frs for a 40 hour week. The management offers a 12% wage increase or a basic wage of 205,000frs and reduction in the working week to 38 hours. What is the opportunity cost if the worker opts for 38 hour week?
 - A) 24000frs B) 19000frs C) 38000frs D) 5000frs
- Questions 3 and 4 are based on the following measures of economic policy which are commonly used by government in mixed economies
 - i- Using planning controls to influence the location of industry
 - ii- Placing taxes on certain goods and services
 - iii- Subsidizing the production of certain goods
3. Which of these measures aim at influencing economic activity by acting through the price mechanism?
 - A) 1, 2 and 3 B) 1 and 2 only C) 2 and 3 only D) 1 only
4. Which of these measures would prevent the price mechanism from functioning as a means of allocating resources?
 - A) 1, 2 and 3 B) 1 and 2 only C) 2 and 3 only D) 1 only
5. Industrial inertia occurs when
 - A) Industry gains no cost advantage from any location
 - B) The initial reasons for location has disappeared
 - C) The share of manufacturing in national outputs declines
 - D) Labour is geographically immobile

6. Given a homogeneous labour force, which statement explains why in the short run, labour is subject to the law of diminishing returns?
 - A) As additional workers are hired, output decreases
 - B) As employment increases, wage rate will have to be increased
 - C) As output expand, sooner or later, diseconomies of scale will set in
 - D) As employment increases, the capital ratio falls
7. Many public Utilities can be described as "natural" monopolies. Which statement best describe the situation leading to a natural monopoly?
 - A) There are legal restrictions on new entrants
 - B) The firm has a patent on an essential process
 - C) A single firm controls the supply of raw materials
 - D) There are high fixed cost and falling average costs over all outputs demanded
8. Rev. Thomas Malthus and Esther Boserup tend to agree that
 - A) Uncontrolled increase in population would lead to negative checks
 - B) Population growth always exceeds the means of subsistence
 - C) Necessity is the mother of invention
 - D) Population growth has basically positive effects
9. X is a complement of Y and a substitute of Z. what will be the effect on the price and supply of Y and Z of a rise in the price of X?

	Good Y		Good Z	
	Price	Supply	Price	Supply
A	Rise	Rise	Fall	Fall
B	Fall	Fall	Rise	Rise
C	Rise	Fall	Fall	Rise
D	Fall	Rise	Fall	Rise

10. Given that $Q_d = 10,000(12 - 2P)$ and $Q_s = 40,000 + 20,000P$, where P = price of good X and Q_d and Q_s stands for quantity demanded and supplied of good X respectively. Which of the following is the equilibrium output?
 - A) 60,000 units
 - B) 80,000 units
 - C) 120,000 units
 - D) 100,000 units
11. No question is given here
12. Ghana and Ivory Coast attempt to control the supply of cocoa in the world market to help stabilize their incomes. What condition is essential for this to stabilize their incomes effectively?
 - A) There must be large firms in the industry
 - B) It must be possible to store the cocoa and release stock when necessary
 - C) Other countries must supply a significant percent of the total market
 - D) The demand for the product must be elastic
13. What is the shape of the long run average cost curve for a firm with economies of scale?
 - A) It is horizontal
 - B) It is "U" shaped
 - C) It slopes downwards
 - D) It slopes upwards
14. A cost minimizing firm allocates a given total output between two different factories. Which of the following must be equal in the two factories?
 - A) Average total cost
 - B) Marginal cost
 - C) Average variable cost
 - D) Total cost
15. A firm produces only one product. Under which condition is it most likely to be able to pursue a policy of price discrimination?
 - A) Both price and MR are in all markets
 - B) It is benefiting from economies of scale
 - C) Its products has a long elasticity of demand
 - D) There are separate and distinct markets for its products
16. Which of the following assumptions underlie the kinked demand curve in oligopoly
 - A) A firm will increase its price in response to a price increase by a rival firm
 - B) Consumers are less sensitive to price increases than price decrease
 - C) A firm will not match a price cut by a rival
 - D) Rivals are expected to match any reduction in price
17. In the short run, a trade Union is most likely to increase wage rates in an industry without reducing number employed by
 - A) Imposing a close chop
 - B) Insisting on long apprenticeship periods
 - C) Negotiating over manning agreements
 - D) Insisting that only their members to certain jobs
18. There no question for this till number 20
21. What change would best indicate that a country has experienced economic development?
 - A) An average improvement in the citizen's quality of life
 - B) An increase in the country's real GDP
 - C) An improvement in the country's trade balance
 - D) An appreciation in the country's currency
22. Which of the following is most likely to be found in a developing economy?
 - A) A low capital; labour ratio
 - B) A high capital; labour ratio
 - C) A high capital; output ratio

- D) A low labour-output ratio
23. What is likely to increase a country's actual output, may reduce its long-run rate of growth of Potential output
- A) An increase in the size of the labour force B) Increase government spending on education
C) An increase in the size of the government budget deficit
D) Increased female participation in the labour force
24. What is a stop-go cycle?
- A) The tendency for private sector investment to fluctuate with changes in business optimism
B) The tendency of governments to alternate deflationary and inflationary policies
C) Swings in the balance of payment position resulting from changes in the rate of economic growth
D) Swings in the rate of inflation which result from changes in the employment levels
25. Which of the following is an example of an automatic stabilizer?
- A) Defense expenditure B) Unemployment benefits C) Education expenditure D) Health expenditure.

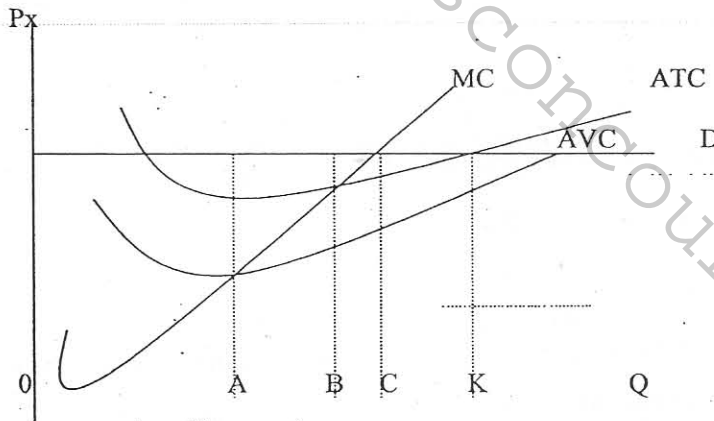
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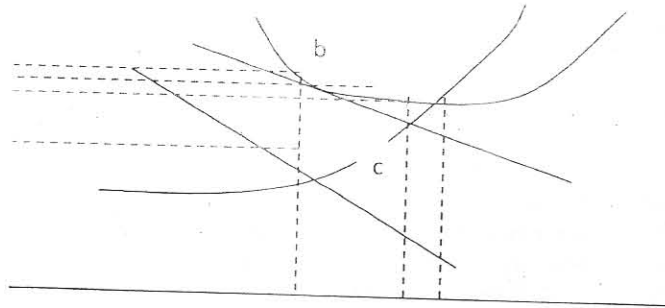
- The demand curve faced by a purely competitive firm: (ECONOMICS ENSET 2012)
A) Has unitary elasticity B) yields constant total revenue C) is identical to the market demand curve D) Is one where $AR = MR$
 - In pure competition, the elasticity of demand for the product of a single firm is:
A) Between zero and one B) Perfectly inelastic C) Perfectly elastic D) Greater than one
- Question 3 to 5 are based on the graph below



- The level of output at which this firm will produce is:
A) OA B) OB C) OC D) OK
- The level of output at which this firm will shut down is:
A) OA B) OB C) OC D) OK
- The level of output at which the firm is maximizing an economic profit is:
A) OA B) OB C) OC D) OK
- Suppose a monopolist produces output where total revenue is maximized. At that output, the price elasticity of demand for the monopolist's output is:
A) Greater or equal to one B) Less than one C) Equal to one D) Impossible to determine
- Any activity designed to transfer income or wealth to a particular individual or firm at society's expense is called:
A) Patent protection B) X-inefficiency C) Price discrimination D) Rent-seeking
- To practice long-run price discrimination, a monopolist must:
A) Be a natural monopoly
B) Charge one price to all buyers
C) Permit the resale of the product by the original buyers
D) Be able to separate buyers into different markets with different price elasticities

Questions 9 to 12 are based on the graph below

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9. The intersection of the marginal cost and average total cost is represented by point
A) a B) b C) c D) d
10. Refer to the above graph of the representative firm in monopolistic competition, Marginal cost and marginal revenue intersect at point: A) a B) b C) c D) d
11. Point c is the intersection of the:
A) Marginal cost and marginal revenue curves
B) Marginal cost and average total cost curves
C) Marginal cost and demand curves
D) Average total cost and demand curves
12. Demand is tangent to average total cost at point: A) a B) b C) c D) d
13. If a government raises its expenditure by 50 billion Fcfa and at the same time levies a lump-sum tax of 50 billion Fcfa, the net effect on the economy will be to:
A) Increase GDP by less than 50 billion Fcfa
B) Increase GDP by more than 50 billion Fcfa
C) Increase GDP by 50 billion Fcfa D) Make no change in GDP
14. Suppose the GDP is at equilibrium at full employment and the MPC is .80. If government wants to increase its purchase of goods and services by 16 billion Fcfa without causing either inflation or unemployment, taxes should be:
A) Increased by 20 billion fca
B) Reduced by 16 billion Fcfa
C) Increased by 16 billion fca D) Reduced by 20 billion Fcfa
15. An economy is experiencing a high rate of inflation. The government wants to reduce consumption by \$36 billion to reduce inflationary pressure. The MPC is .75. by how much should the government raise taxes to achieve its objective?
A) 6 billion Fcfa B) 9 billion Fcfa C) 12 billion Fcfa D) 16 billion Fcfa

II- From question 1 to 11 write ONLY either TRUE or FALSE

1. Commercial banks create money in the form of checkable deposits when they make loans
2. The monetary multiplier is the reciprocal of the excess reserve ratio
3. The public debt is a burden on the future generation
4. A tariff is more effective in blocking imports than a quota
5. The equilibrium level of GDP is that GDP level corresponding to the intersection of the aggregate expenditure schedule with the 45-degree line.
6. The purchasing power parity theory holds that exchange rates equate the purchasing power of various currencies
7. The wealth effect will tend to decrease consumption and increase saving.
8. The multiplier is equal to the change in real GDP divided by the initial change in spending.
9. The multiplier will be larger the steeper the slope of the saving schedule
10. In an economy, the value of inventories rose from 275 billion Fcfa in 2006 to 300 billion Fcfa in 2007. In calculating total investment for 2007, national income accountants would increase it by 25 billion Fcfa.
11. The substitution and income effect cannot be used to explain the downward slope of the aggregate demand curve.

III- Solve on the rough sheet and write only the answer in your answer space. No sentence should be more than one line. Use the following information for question 1 to 4

Quantity demanded domestically	Price	Quantity supplied domestically
60	10	80
70	8	70
80	6	60
90	6	50

1. What would price and quantity be if the market were closed to international trade?
2. What would the domestic and foreign quantity supplied be if it were open to international trade and the world price was 6 Fcfa?

3. If the world price was 4 Fcfa and a tariff of 2 Fcfa were placed on the product, what would be the total revenues going to: i) domestic producers' ii) foreign producers (after-tax) iii) and the government?
4. Given a world price of 4 Fcfa, what would be the difference in the total revenue received by foreign producers with a 2 Fcfa per unit tariff compared with a quota of 20 units?

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