

and productivity of capital

ECONOMICS AND ECONOMETRICS ENS (HTTC) 2013 SECOND CYCLE

THE UNIVERSITY OF BAMENDA

HIGHER TEACHER TRAINING COLLEGE (HTTC)

DEPARTMENT OF ECONOMICS COMPETITIVE ENTRANCE EXAMINATION: 2013

SECOND CYCLE Major: ECONOMICS AND ECONOMETRICS FOR ENS

Time allowed: 3hrs

INSTRUCTIONS: For each question, select the best answer and record your choice on the response form provided. Nothing should be written on the question paper and you must submit this paper at the end of the examination. Answer both the MAJOR and MINOR papers on this answer form

1. An important econometric model which is used to guide economic policy makers on the effect of changes in aggregate demand is: A) Rostow's model B) Multiplier model C) Harrod Domar model D) WAFIA model
2. A situation where government borrowing decreases private investment by raising market interest rate is known as A) Budget deficit B) Crowding out hypothesis C) Credit budget D) Coarse theorem
3. The locus consumption bundles that yields the same total utility is: A) Kinked demand curve B) Revealed preference curve C) Indifference curve D) Price consumption curve
4. Which of the following is not correct? A) $MPC = MPS + 1$ B) $MPC + MPS = 1$ C) $1 - MPC = MPS$ D) $APC + APS = 1$
5. According to Keynesian analysis, consumption is a function of: A) Permanent income B) Estimated life time income C) Previous income D) Current income
6. What will be the value of savings in a two sector economy if saving function is represented as $S = -5000MF + 0.4Y$ and investment by $I = 5000 + 0.3Y$ A) 35000MF B) 40000MF C) 10000MF D) 20000MF
7. The government increases direct taxation by one billion frs and at the same time increases its own expenditure by one billion. The marginal rate of withdrawal is 0.4 what will be the effect on national income A) It will rise by 1 billion B) It will remain unchanged C) It will fall by 1 billion D) It will rise by 600 million
8. What is the central assertion of monetary economics? A) The velocity of circulation of money is unstable over time B) Fiscal policy should be used for the continuous management of the economy C) Money supply dominates the determination of aggregate monetary expenditure D) Major recession can occur despite an unchanged money supply
9. What is the specialization location quotient for Kumba in agriculture given that in Kumba, 90% of its workforce is employed in agriculture compared to 60% at national level. A) 1.5 B) 3 C) 2 D) 1/3
10. The following are millennium development goals except A) Eradicate extreme poverty and hunger B) Develop a global partnership for development C) Achieve universal primary education D) Better working conditions in Africa
11. One of the following balance of payment solving measures gives rise to the J-curve effect. A) Import controls B) Devaluation C) Depreciation D) Deflationary fiscal policy

12. Marshal-Lerner criterion for devaluation to improve the balance of payment position can be represented mathematically as follows (EX=Price E^d Export and EM=E^d for import) A) EX+EM=1 B) EX+EM=0 C) EX+EM>1 D) EX+EM<1
13. Faced with a demand inflation and current account deficit, which of the following policy measures might simultaneously reduce both problems A) Reflation B) Deflation C) Revaluation D) Devaluation
14. This question is based on the data of the national debt of country Y. National debt = 200MF, Internal national debt= 125MF, External national debt = 75MF. What fraction of the national debt constitute the real burden? A) 62.5 B) 37.5 C) 60 D) 40
15. Which of the following will likely cause decrease in a country's reserve under a fixed exchange rate? A) Increase in investment by the country's residents B) A current account surplus C) The SDRs by IMF D) Support of the currency by the central bank
16. Let Px represent the price of exports and Pm the rate of imports. Then the terms of trade (TOT) are said to be favourable if ; A) $\frac{Px}{Pm} > 1$ B) $\frac{Px}{Pm} < 1$ C) $\frac{Px}{Pm} = 1$ D) $\frac{Px}{Pm} > 1$
17. What will be the yield by a government bond sold for 2 million CFA if its price has fallen to 1.2 million CFA and its nominal interest rate is 3%. A) 5% B) 3.5% C) 10% D) 8.5%
18. A country experiences a significant growth in its productivity. What is likely to result from this? A) Increase in the country's balance of payment B) A depreciation in the country's currency C) Increase in the people's standard of living D) Increase in the country's relative cost of production.
19. According to the liquidity preference theory, what will be the result of a reduction in the prices of bonds? A) A decrease in the supply of money B) A reduction in the quantity demand of money C) A fall in the interest rate D) An increase in the demand of money.
20. In a two sector economy, the saving and investment functions are as follows: $S=10+0.2Y$, $I=3+0.1Y$. What will be the equilibrium level of income. A) 70 B) 80 C) 90 D) 100
21. If the monetary authorities pursued an "easy" monetary policy. It would tend to: A) Raise the investment schedule B) Raise both the investment and savings schedule and leave national income unchanged C) Lower the investment schedule and raise national income D) Raise investment schedule and raise national income
22. The bank multiplier would be increased by: A) A reduction in the banks liquidity ratio B) An increase in liquid assets C) An increase in the demand for loans D) An increase in cash deposited in the bank.
23. Who will benefit from a depreciation of the French franc against Cameroons CFA? A) Cameroon students studying in France B) French holiday makers visiting Cameroon C) A Cameroonian manufacturer exporting to France D) A Cameroonian real estate company owning property in France.
24. One fiscal measure a government can use to help the economy ride out a depression is: A) Run a deficit by lowering taxes and increase spending B) Reduce the cost of government by eliminating expensive projects C) Balance the budget every year D) Increasing taxes and lowering expenditure.
25. Between the year 2000 and 2010 the national income rose by 10% and consumer price index rose by 8%. The population dropped by the real income per head. A) 2% B) 4% C) 0% D) 10%
26. A two sector is initially in equilibrium with national income of 100million frs and a capital of 25million frs. AD increases by 10million frs. According to the accelerator principle, by how much will net investment increase? A) 10 million frs B) 5 million. C) 2.5 million. D) 2 millions
27. In an economy with large scale unemployment, what will be the effects of a decision by consumers to increase their saving ratio? A) It will lead to a decrease in unemployment B) It will lead to a decrease in NI by a multiple of the increase in saving C) At first to increase and then to decrease the NI. D) It will lead to a decrease in unemployment.
28. In an economy with MPC of 0.8Y and MRT of 0.25Y, it decided to raise Y by 1000million frs. Other things remaining equal, it will be necessary to raise government spending on goods and service by A) 200 million frs B) 250 million frs C) 600 million frs D) 400 million frs.
29. Which of the following theories have deeply influenced development policies and led to major emphasis on family planning and fertility? A) Rostow's model B) Malthusian theory C) Keynesian theory D) Boserupian theory
30. In general as output rises you first attain: A) Increasing returns, then diminishing returns, negative returns B) Diminishing returns, negative returns, then increasing returns C) Constant returns, then increasing returns, then negative returns D) Increasing returns then negative returns, then diminishing returns.

31. The most technically efficient output of a firm is located: A) At the shutdown point B) The break-even point C) Where $MC=MR$ D) Where the vertical distance between AVC and ATC is at a maximum.
32. In which situation are there definitely positive externalities? A) Private benefits exceeds private cost B) Social benefits exceeds private benefits C) Social benefit exceed private cost.
33. The incentive to let other people pay for a public good while you enjoy the benefits is known as: A) Social benefit B) Free rider problem C) Social cost D) Benefit received principle.
34. A situation where reallocation of resources makes atleast one person better-off without making anyone else worse-off is known as: A) Pareto improvement B) Pareto efficient C) Pecuniary externality D) Perfect price discrimination
35. By definition, variable cost (VC) is related to total cost (TC) and fixed cost (FC) by the equation: A) $VC=TC+FC$ B) $VC=TC-FC$ C) $VC=TC/FC$ D) $VC=(TC).(FC)$ [WHAT IS SUPPOSE TO BE HERE IS $VC=TC-FC$]
36. A discount house pays 9700frs for a bill of exchange whose face value is 10.000frs and which is due in 90 days. What is the discount rate? A) 5% B) 12.3% C) 12% D) 10%
37. If LA represents the bank holding of liquid assets and r the required liquid assets ratio, then following an increase in LA, the maximum possible increase in deposit will be equal to: A) $\frac{\Delta LA}{R}$ B) $\frac{R}{LA}$ C) $\frac{R}{\Delta LA}$ D) $R \times \Delta LA$
38. Relative weights are used in calculating index of retail prices to reflect the different: A) Amounts of money spent by the consumers on each food B) Levels of price for each food C) Number of people buying each good D) Rates of changes in price of each good over time
39. A government uses monetary policy in an attempt to keep actual unemployment continuously below the "natural rate of unemployment". What is likely to be the consequences of this policy? A) An accelerating rate of inflation B) A low but constant rate of unemployment C) A high but constant rate of inflation D) A decelerating rate of inflation
40. Which of the following policies is a country likely to adopt in order to reduce a current account? A) Revalue the currency B) Deflate the economy C) Raise interest rate D) Impose import controls
41. World Trade Organization has a major objective to: A) Provide short term loans for countries with balance of payment problems B) Achieve an orderly pattern of world currency exchanges C) Provide financial help and advice to developing countries D) Reduce the general level of protection in world trade.
42. Where in the production of a good there are social benefits above the private benefits derived directly by consumers, the government may: A) Grant a subsidy towards the production of the good B) Impose a specific tax on the good C) Impose ad-valorem tax on the good D) Control the maximum price at which the good can be sold.
43. A developing country experiences a rapid growth in labour productivity. What is likely to result from this? A) An increase in the country's balance of trade deficit B) An increase in the country's relative costs C) A depreciation of the country's currency D) An increase in real income per head
44. What do government need to do to allow automatic stabilizers to work? A) Adjust taxes in order to achieve a balance budget B) Keep expenditure rates and tax rates unchanged C) Lower both taxes and government expenditure in slump D) Lower taxes in a boom and raise taxes in a slump
45. The following are disadvantages of VAT except: A) Flexible B) Regressive C) Inflationary D) Selective
46. Country X joins an existing custom union comprising Y and Z. X's initial tariff is at the same level as custom union's common external tariff. What is likely to be the effect when X joins custom union? A) It will result solely in trade creation B) It will result solely in trade diversion C) It will result both in trade creation and trade diversion D) It will leave the existing pattern of trade between Y and Z unchanged
47. The supply of loanable funds is significantly influenced by: A) Commercial banks B) Mortgage banks C) Financial intermediaries D) The central bank.
48. Petroleum "glut" in international trade means: A) A fall in petroleum production B) An oversupply of petroleum C) A higher petroleum price offered by the buyer D) Higher prices for the consumption of petroleum
49. For improvement in the welfare of the people, a high production level is not enough because: A) Have-nots deserve more than a fair share B) Equitable distribution is necessary C) Productive efficiency is vital D) Savings in the economy must be guaranteed at more than 50% of income earned.
50. The equation $AD=C+I+G+X-M$ represents total expenditure. Which of the above items is both autonomous and endogenous? A) Y B) M C) G D) C

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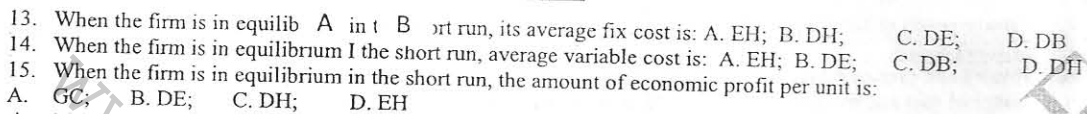
Instructions: write only the letter that corresponds to the right answer.

- Private goods differ from public goods in two ways. What are the two characteristics that differentiate public goods from private goods?
A. Rivalry and excludability; B. negative externality and positive externality.
B. Marginal cost and marginal benefit; D. A moral hazard and adverse selection problem
- If some activities creates external benefits as well as private benefits, then economic theory suggests that the activity ought to be:
A. Subsidized; B. Prohibited; C. Taxed; D. Left alone.

Questions 3, 4 and 5 are based on table 1 below, which depicts the quantity of rice supplied (Qs) and demanded (Qd) in a given country.

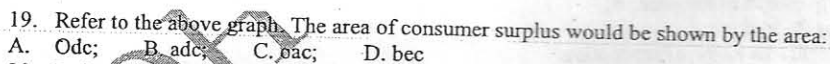
Prices(Frs)	4	5	6	7	8	9	10
Qs(tons)	100	140	180	220	260	300	340
Qd(tons)	400	340	280	220	160	100	40

- Refer to the above data. If government adopts a price support program that sets the price at 8, then there will be a:
A. Shortage of 100 tons of rice; B. surplus of 100 tons of rice;
B. Surplus of 200 tons of rice; D. surplus of 300 tons of rice.
- Refer to the above data. If government adopts a price support program that sets the price at 9, then the amount that private buyers will pay for the agricultural product is:
A. 300; B. 900; C. 1,800; D. 2,000
- Refer to the above data. If the government adopt a price program that sets the price at 9, then the amount that government will pay to producer for agricultural product is:
A. 300; B. 900 C. 1,800; D. 2,000
- Compared to a purely competitive firm, monopolist will pay:
A. A higher wage rate to its workers; B. Lower wages but hires more workers than the purely competitive firm; C. lower wage rate but hire fewer workers than the purely competitive firm; D. lower wages while hiring the same quantity of workers as the purely competitive firm.
- Assume that a consumer purchases a combination of products. Product A is an old and reliable product. Product B is a new and appealing product. The $MU/P = 40$ and $MU/P = 45$. To maximize utility without spending more money, the consumer should:
A. Make no change in A and B; B. Purchase more of A and less of B; C. Purchase more of both A and B; D. Purchase less of A and more of B;
- Which will be most characteristic of oligopoly?
A. Easy entry into the industry; B. Many large producers; C. Product standardization; D. Mutual interdependence
- The kinked demand model of non collusive oligopoly assumes that : A. a rivalry will ignore price increases and match price cuts;
B. Each firm is a least-cost producer of the product;
C. MR is greater than MC at the kink;
D. Demand is elastic throughout the range of production.
- In the kinked demand model, there will be a vertical break in the firm's:
A. MR curve; B. MC curve; C. Demand curve; D. Average total cost curve.
- The strategy of establishing a price that prevents the entry of new firms is called:
A. A price war; B. limit pricing; C. price leadership; D. setting a profit maximizing price.
- Pure monopolists: A. Maximize MR; B. sell where $p > MC$; C. Are price takers; D. Confront demand curves that are perfectly inelastic.



Quantity	1	2	3	4	5
MU _x	32	28	24	20	16
MU _y	24	20	16	12	8

- Question 19, 20 and 21 are based on the graph below.



20. Refer to the above graph. The area of producer surplus would be shown by the area:
A. ocQ; B. odc; C. oac; D. bec

21. Refer to the above graph. The area maximizes the combined consumer and producer surplus is:
- A. odc; B. adc; C. oac; D. bec

22. when nominal GDP is 800 billion frs and, on average, each franc is spent four times in the economy over a year, the quantity of money demanded for transaction purposes will be:
A. 100 billion; B. 400 billion; C. 200 billion; D. 3,200 billion

23. The asset demand for money and the rate of interest are:
A. Both stable; B. directly related; C. unrelated; D. inversely related

24. If you deposited 1,200 in a commercial bank which has an 18 percent reserve requirement, the bank will have increased:
A. required reserve by 106; B. excess reserve by 900; C. excess reserve by 1,200; D. required reserve by 216

25. Assume the required reserve ratio is 16.61% and that the commercial bank system has 110 million in excess reserves. The maximum amount of money which the banking system could create is: A. 660 million; B. 830 million; C. 1,040 million; D. 1,353 million

26. Fiscal policy is enacted through changes in; A. taxation and gov't spending; B. the supply of money; C. unemployment and inflation; D. Interest rates

27. An economy is experiencing a high rate of inflation. The government want to reduce consumption by 36 billion frs to reduce inflationary pressure. The MPC is .75. By how much should the government raise taxes to achieve its objective?
- A. 6 billion: B. 12 billion: C. 15 billion: D. 16 billion:

- A. 6 billion; B. 12 billion; C. 15 billion; D. 16 billion

28. With a progressive tax system, as the level of income increases in an economy, the average tax rate will:

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- A. Decrease; B. Increase; C. Remain the same; D. decrease, increase, or remain the same
29. An expected rise in the rate of inflation for consumer goods will: A. Decrease AD; B. Increase AS; C. Increase AD; D. Decrease AS
30. If the CFA F deprecates in value relative to foreign currencies, aggregate:
A. Demand decreases; B. supply and AD increases; C. demand increases D. supply and AD decreases
31. Supposed that an economy produces 500 units of products. It takes 10 units of labor at 15 per unit and 4 units of capital at 50 frs a unit to produce this output. The per unit cost of production(in frs).is:
A. 0.70; B. 0.56; C. 0.42; www.touslesconcours.info
32. If the government raises its expenditures by 50 billion frs and at the same time levies a lump-sum tax of 50 billion, the net effect of the economy will be to:
A. Increase GDP by less than 50 billion; B. increase GDP by 50 billion C. increase GDP by more than 50 billion;
D. make no change in GDP
33. Supposed the GDP is in equilibrium at full employment and the MPC is .80. If government want to increase the purchase of goods and services by 16 billion frc without causing unemployment , taxes should be:
A. Increase by 16 billion; B. reduced by 16 billion; C. increase by 20 billion; D. reduce by 20 billion
34. In a necessary expenditure gap, the equilibrium level of real GDP is: A. less than planned investment; B. equal to full employment GDP; C. greater than full employment GDP; D. less than full employment GDP
35. In a saving schedule, the change in saving is always 2 billion frs and the change in income is always 10 billion frs across each saving and income level. It can be concluded that:
A. Slope of the consumption schedule is .8; B. slope of the saving schedule is 2; C. marginal propensity to consume is 2;
D. marginal propensity to save 5
36. Assume a machine which has a useful life of only one year cost 5,000. Also assume the additional revenue from the output of this machine is expected to be 6,100 after paying the operating costs. The expected rate of return on this machine is:
A. 25 percent; B.22 percent; C. 18 percent; D. 12 percent
37. A mismatch between the geographic location of workers and the location of job openings would result in what type of unemployment?
A. Walt; B. cyclical; C. structural; D. frictional
38. The view that union maybe a source of inflation would be best associated with the:
A. Supply-shock inflation; B. cost-push inflation; C. demand-pull inflation; D. wage-push inflation.
39. If the average level of nominal income in a nation is 45,000 frs and the price level index is 180, the average real income would be about:
A. 25,000frs; B. 20,000frs; C. 15,000frs; D. 30,000frs
40. Arthur sells 100 frs worth of cotton to Bob. Bob turns the cotton into cloth, which he sells to Camille for 300 frs. Camille uses the cloth to make prom dresses that she sells to Donita for 700 frs. Donita sells the dress for 1200 frs to kids attending the prom. The total contribution to GDP of this series of transactions is:
A. 980; B. 1200; C. 23000; D. 1100