

UNIVERSITY OF BAMENDA HIGHER INSTITUTE OF COMMERCE  
AND MANAGEMENT Competitive Entrance Examination Academic Year  
2012/2013

PART ONE: ECONOMICS (/50)  
MULTIPLE CHOICE QUESTIONS

1. Which of the following statements is correct?
  - A) Real GDP is the total market value of the final goods and services produced in America for sale in a year valued in the prices of 1992
  - B) Your buying stock in the stock market is an example of investment spending
  - C) Potential Real GDP is always greater than Equilibrium Real GDP
  - D) Social security and Welfare are examples of spending on infrastructure
  - E) All of the above.
2. The period of the business cycle in which real GDP is increasing is called the
  - A) Expansion
  - B) Peak
  - C) Recession
  - D) 'Trough
  - E) Stagflation.
3. Assume that, in the population, 95 million people worked for pay last week. 5 million people did not work for the pay but had been seeking a job, 5 million people had not been seeking a job for the past several months, and 45 million were under age 16 .The unemployment rate given these numbers is
  - A) 5%
  - B) 8 %
  - C) 0

- D) 20%.
- E) 45%
4. A type of unemployment in which workers are in-between jobs or are searching for new and better jobs is called      unemployment
- A) Frictional
- B) Cyclical
- C) structural
- D) Turnover.
5. Consider three consumer goods: 100 of Good A, 100 of Good B, and 100 of Good C. in the base year, Good A Sold at a price of \$1, Good B sold at a price of \$1, and Good C sold at a price of \$1. Ip the current year, Good a sold at a price of \$3, Good B sold at a price of \$5, and Good C sold at a price of \$10. The Consumer Price Index (CPI) for the current year is:
- A) 100
- B) 300
- C) 500
- D) 600
- E) 1000.
6. Which of the following is a "loser" unexpected inflation?
- A) Workers with COLAS
- B) The middle class
- C) People who own Treasury bills
- D) People who own homes and have fixed -rate mortgages.
7. if the nominal interest rate on a checking account is 2% and the inflation rate is 3% this year, the real interest rate is:
- A) 5%      B) 2%      C) 2/3%      D) -1%      E) 3%

8. Which of the following would cause the demand curve for automobiles to shift to the left?
- A) An increase in the price of automobiles
  - B) An increase in the interest rate paid to borrow money to pay for the automobiles
  - C) An increase in buyers' income
  - D) An increase in the cost of production of automobiles
9. Suppose it is announced that industry analysts are predicting that decreased oil supplies from Iraq will cause gasoline prices to rise beginning next month. In the current week, the announcement would,
- A) Shift the supply of gasoline right
  - B) Shift the demand for gasoline right
  - C) Shift the demand for gasoline left
  - D) Have no effect on the demand or supply of gasoline.
10. "At the price of \$300, tickets for the super Bowl are expensive. Yet there are long lines of people who wish to buy them. Many people who desire tickets will not be able to find them". From this quotation, we know that the price of super Bowl tickets must be:
- A) Below equilibrium
  - B) Above equilibrium
  - C) Equal to equilibrium.
11. Assume that the market for computers begins in equilibrium. Then, there is a decrease in a price of Pentium processors used in the production of computers. When the new equilibrium is reached
- A) The price and quantity of computers will both have risen
  - B) The price and quality computers have both fallen

C) The price of computers will have risen and the quantity will have fallen

D) 'The price of computers will have fallen and the quantity will have risen.

12. Assume that the market for stock of Microsoft begins in equilibrium. Then both buyers and sellers expect that the new Linux (a competitor of Microsoft windows). Will be a large success, reducing Microsoft sales .When the new equilibrium is readied

A) The price and quantity of the stock will both have risen

B) The price and quantity of the stock will both have fallen

C) The quantity of the stock will fall and the price will rise

D) The quantity of the stock will fall but the effect on price cannot be determined

E) The price of the stock will fall but the effect on quantity cannot be determined.

13. Assume that the market for Mexican pesos begin in equilibrium. Then, the Mexican economy experiences a severe recession. Because of the recession, the Mexican companies lower their prices. AS a result of the recession and lower prices in Mexico:

A) The dollars depreciates and the peso appreciates

B) The dollars appreciates and the peso depreciates

C) The dollars and peso both appreciates

D) The dollars and peso both depreciates.

14.14. Which of the following is an example of "portfolio investment"?

A) An American places funds in a savings account in Canada

B) Tokyo Bank of Japan buys Union Bank of the United States

C) Saturn corp (owned by General Motors) builds a new factory in Tennessee

- D) An American puts \$10,000 into a money market fund
- E) All of the above.
15. This of the following would cause the aggregate demand curve to shift to the right?
- A) An increase in purchases by the federal government
  - B) An increase in real interest rates
  - C) An Appreciation of the American dollar
  - D) A decrease in the money supply
16. Assume that an economy begins in macroeconomic equilibrium. Then, taxes are significantly decreased. As a result of this change:
- A) There is expansion and inflation in the US
  - B) There is recession and deflation in the US
  - C) There is stagflation in the US
  - D) There is expansion and deflation in the US
17. A large increase in oil prices, such as the ones occurring in 1973 and 1979, will cause:
- A) Inflation and expansion
  - B) Recession and disinflation
  - C) Inflation and recession
  - D) Expansion and deflation
18. Assume that production in the United States is valued at \$10,000. National income is therefore \$10,000. Of their income, workers pay \$1,000 in taxes, save \$500, spend \$8,000 on consumer goods, and spend \$500 on Imports. Businesses spend \$1,000 in new investment spending. And/foreigners spend \$500 on exports. In order to avoid any problems of inflation or unemployment, the government should have a budget deficit or surplus of:

- A) 0
- B) \$500 surplus
- C) \$500 deficit
- D) \$1,000 deficit
- E) \$2,000 deficit

19. From 1990 to 1995, the U.S. Economy was in a recessionary gap. According to the classical economists, which of the following should have occurred?

- A) Wages should have fallen which would cause more workers to be hired
- B) Prices should have fallen which would increase consumer spending
- C) Interest rates should have fallen which would increase consumer and investment spending
- D) All of the above should have occurred

20. Which of the following statements is/are true about the classical quantity theory of money?

- A) The equation of exchange is  $MV = PQ$ .
- B) The classical economists assumed that  $V$  would rise when real interest rates rise
- C) The classical economists concluded that increases in the money supply cause increases in real GDP and nothing else
- D) All of the above

21. Assume that the United States and Great Britain are both on the Gold Standard. There is inflation in the United States but not in Great Britain. As a result of the inflation in the United States,

- A) Gold would leave the United States and go to Great Britain
- B) Gold would leave Great Britain and go to the United States

C) The American dollar would depreciate

D) The American money supply would increase

22. In an income of \$100,000, I spent \$90,000 on consumer goods. When my income rose to \$200,000, I spent \$160,000 on consumer goods. My marginal propensity to consume is

A) 0.9

B) 0.8

C) 0.7

D) 1

E) \$70,000

23.

National Disposable	Taxes	Income	Consumption	Investment	Government
\$100	\$100	\$0	\$50	\$25	\$100
200	100	100	125	25	100
300	100	200	200	25	100
400	100	300	275	25	100
500	100	400	350	25	100
600	100	500	425	25	100
700	100	600	500	25	100
800	100	700	575	25	100

Using these numbers, the equilibrium real GDP (equal to National Income) is:

A) 300

B) 400

C) 500

D) 600

E) 700

24. Which of the following would cause consumption to rise?

- A) The GDP Deflator rises
- B) A greater proportion of the population is between age 20 to 30
- C) Transitory income increases
- D) Income is taken from poor people to rich people

25. Which of the following would cause business investment spending to rise?

- A) An increase in real interest rates from 5% to 8%
- B) A decrease in the corporate profits tax rate from 48% to 34%
- C) A reduction of the investment tax credit from 10% to 2%
- D) Sales falling in relation to capacity from 90% to 60%

26. "An nature and Causes of Wealth of Nations" is the book of enquiry into the economist

- A) Adam Smith
- B) Marshall
- C) Robbins
- D) None of above

27. "Economics is the Science of Wealth" who gave this definition?

- A) J.K. Mehta
- B) Marshall
- C) Adam Smith
- D) Robbins

28. "Economics is what economists do." It has been supported by:

- A) Richard Jones
- B) Comte
- C) Gunnar Myrdal
- D) All of the above



29. "Human Welfare is the subject of Economics." This statement is associated with the name of which of the economists:

- A) Marshall
- B) Pigou
- C) Penson
- D) All of the above

30. Who has given scarcity definition of economics?

- A) Adam Smith
- B) Marshall
- C) Robbins
- D) Robertson

31. "Economics is a science" the basis of this statement is:

- A) Relation between cause and effect
- B) Use of deductive method and inductive method for the formations of laws
- C) Experiments
- D) All of the above

32. Characteristics of economic laws are:

- A) Mere statements of economic tendencies
- B) Less certain
- C) Hypothetical
- D) All of the above

33. Which theory is generally included under micro economics?

- A) Price Theory
- B) Income Theory
- C) Employment Theory

- D) None of the above
34. Whose opinion has revolutionized the scope of macro economics?
- A) Adam Smith
  - B) J. B. Say
  - C) J.M. Keynes
  - D) All of above
35. Which of the following is an economic activity?
- A) Teaching of a teacher in the school
  - B) To teach son at home
  - C) To serve her child by mother
  - D) To play football by a student
36. Passive factor of production is:
- A) Only land
  - B) Only capital
  - C) Both land and capital
  - D) Neither land nor capital
37. Under law of demand:
- A) Price of commodity is an independent variable
  - B) Quantity demanded is a dependent variable
  - C) Reciprocal relationship is found between price and quantity demanded
  - D) All of the above
38. For inferior commodities, income effect is:
- A) Zero
  - B) Negative
  - C) Infinite
  - D) Positive

39. When total utility becomes maximum, the marginal utility will be:

- A) Minimum
- B) Average
- C) Zero
- D) Negative

40. Utility means:

- A) Power to satisfy a want
- B) Usefulness
- C) Willingness of a person
- D) Harmfulness

41. Marginal utility is equal to average utility at that time when average utility is:

- A) Increasing
- B) Maximum
- C) Falling
- D) Minimum

42. At point of satiety, marginal utility is:

- A) Zero
- B) Positive
- C) Maximum
- D) Negative

43. Which of the following is the second law of Gossen?

- A) Law of equi-marginal utility
- B) Law of equi-product
- C) Theory of indifference curve
- D) Law of diminishing marginal utility

44. Total utility of a commodity is measured by which price of that commodity?

- A) Value in use
- B) Value in exchange
- C) Both of above

D) None of above

45. According to Marshall, the basis of consumer surplus is:

A) Law of diminishing marginal utility

B) Law, of equi-marginal utility

C) Law of proportions

D) All of the above

46. A politician proposes reducing business taxes, a move she says will encourage risk-taking entrepreneurship. This proposed cut in business taxes is intended to stimulate the economy mainly through

A) An increase in aggregate supply

B) A decrease in aggregate supply

C) Decrease in aggregate demand

D) An increase in aggregate demand

47. One country enjoys a comparative advantage over another in producing oil when

A) It has more oil than the other country

B) It can produce oil at a lower opportunity cost than the other country

C) It does not need to import oil

D) It wants to export as much oil as possible

48. Drought conditions create water shortages. Assuming that water consumption can be measured for each household, select the water policy below that is most likely to cause the greatest reduction in water use by urban households

A) Give water to users with instructions to use it wisely

B) Charge a flat (constant) fee of \$50 per household, irrespective of the amount of water used

- C) Raise the price of water from 2 cents to 50 cents per gallon with the biggest water users (per capital) paying the highest price per gallon
- D) Charge \$20 per month and limit household consumption to last year's monthly

49. As more labour is added to a fixed amount of input, the rate at which output goes up begins to decrease. This is called

- A) Diminishing marginal utility
- B) Diminishing marginal productivity
- C) Diminishing marginal costs
- D) Diminishing marginal profit

50. If the cost of sugar rises and sugar is a major ingredient in jelly beans, then the jelly beans

- A) Demand curve shifts to the left
- B) Supply curve shifts to the left
- C) Supply curve shifts to the right
- D) Demand and supply curves both shift to the right.