

PAPER 2
[80 marks]

Answer four questions in all. One question only from Section A and any three questions from Section B.

You are reminded of the importance of clarity of expression and orderly presentation of relevant materials.

All questions carry equal marks.

SECTION A

Answer one question only from this section.

1. Table 1 below shows the real Gross National Product (GNP) and population of Countries X and Y. Use the information to answer the questions that follow.

Table 1

YEAR	COUNTRY X		COUNTRY Y	
	REAL GNP (\$)	POPULATION	REAL GNP (\$)	POPULATION
2010	48,000,000	18,400,000	54,000,000	9,450,000
2015	75,000,000	25,600,000	90,000,000	12,800,000

- (a) Calculate the rate of growth of real GNP in both countries. [4 marks]
- (b) Compute the per capita income in country X and country Y in 2010. [4 marks]
- (c) Which country enjoyed a better standard of living in 2010? Explain your answer. [3 marks]
- (d) From your answer in (b), explain the state of the following in country Y: [2 marks]
 (i) level of savings; [2 marks]
 (ii) level of investment.
- (e) If the factor income received by the citizens of country Y from abroad is \$ 14,800,000 and the factor income paid to foreigners in the country is \$ 8,420,000. Calculate the net income from abroad and real Gross Domestic Product (GDP) in 2015. [5 marks]

Candidate's Name:.....

2. Table 2 below shows the incomes of an Engineer and a Nurse and their demand schedule for wheat in a month. Use the information to answer the questions that follow.

Individual	Income (\$)		Quantity demanded of Wheat (kg)	
	Old	New	Old	New
Engineer	3,000	5,000	15	10
Nurse	2,500	4,000	8	12

- (a) Calculate the income elasticity of demand for wheat for the: [5 marks]
(i) Engineer; [5 marks]
(ii) Nurse.
- (b) What type of good is wheat to the: [1 mark]
(i) Engineer; [1 mark]
(ii) Nurse?
- (c) Give a reason for your answer in (b)(i) and (b)(ii). [2 marks]
- (d) (i) If the Engineer is taxed at 15% on his old income and 10% on his new income, what system of taxation is employed? Give a reason for your answer. [3 marks]
(ii) If the Nurse is taxed at 8% on her old income and 10% on her new income, what system of taxation is employed? Give a reason for your answer. [3 marks]

SECTION B

Answer **three** questions **only** from this section.

3. (a) Explain the following economic concepts: [4 marks]
(i) production; [4 marks]
(ii) distribution; [4 marks]
(iii) consumption.
- (b) Outline the relationship between the following concepts: [4 marks]
(i) production and consumption; [4 marks]
(ii) consumption and distribution.
4. (a) Define tax. [2 marks]
- (b) Explain the following features of a good tax system: [3 marks]
(i) certainty; [3 marks]
(ii) convenience.

- (c) If the elasticity of demand for a good is greater than one, with the aid of a diagram, explain how a tax imposed on this good is shared between the buyer and the seller. [12 marks]
5. (a) Define the term *value of money*. [2 marks]
- (b) Distinguish between *commodity money* and *token money*. [6 marks]
- (c) Explain how the following can cause inflation: [12 marks]
- (i) velocity of circulation of money;
 - (ii) the supply of money;
 - (ii) volume of goods and services.
6. (a) What is a *commercial bank*? [2 marks]
- (b) Outline any **three** functions of the Central Bank. [9 marks]
- (c) Explain the following instruments of monetary control: [3 marks]
- (i) bank rate; [3 marks]
 - (ii) open market operations; [3 marks]
 - (iii) cash ratio. [3 marks]
7. (a) Define *development plan*. [2 marks]
- (b) Outline **three** problems associated with development planning. [9 marks]
- (c) Explain **three** sources of financing a development plan. [9 marks]
8. (a) Explain the following economic concepts: [8 marks]
- (i) free trade area;
 - (ii) customs union;
 - (iii) common market;
 - (iv) economic union.
- (b) Explain **four** problems limiting the effectiveness of the Economic Community of West African States (ECOWAS). [12 marks]

END OF PAPER