

GHS

ECONOMICS/220/2

S.6

TIME: 3 HOURS

APRIL '09

Instructions: answer all questions in section A and choose any three in section B

SECTION A

- 1)a)
- i) Distinguish between Overhead costs and Prime costs. 2M
  - ii) Explain why the average total cost(ATC) curve of a perfect competition firm is U-shaped in the;  
i) Short-run, ii) Long-run. 2M
- b) i) Distinguish between marginal propensity to consume and marginal propensity to save. 2M
- ii) Mention any two measures that can be taken to increase marginal propensity to consume in your country. 2M
- c) i) Distinguish between income at factor cost and income at market prices. 2M
- ii) Given that a country's GDP is \$500millions; outlays(indirect taxes) are \$50 million and subsidies are \$25 millions;  
Capital consumption allowance of \$15 millions and net income from abroad of \$125 M. calculate;
- a) NNP at factor cost,
  - b) The country's GNP market price.
- d) i) What is meant by liquidity preference? 1M
- ii) Give three factors that influence liquidity preference in your country. 3M
- e) i) Distinguish between Normal profit and Economic profit. 2M
- ii) Show how a monopolist maximizes profits in the short run. 2M
- f) i) Distinguish between nominal income and real income. 2M
- ii) Mention any two determinants of real income in your country. 2M
- g) i) What is meant by the term "underdevelopment"? 1M
- ii) Give any three indicators of underdevelopment in your country. 3M
- h) i) What is meant by price discrimination? 1M
- ii) Give any three conditions necessary for price discrimination to succeed 3M
- i) i) Distinguish between vertical integration and horizontal integration of firms. 2M
- ii) Give two reasons for amalgamation of firms in your country. 2M
- j) i) Define the term import duty. 1M
- ii) State any three objectives of imposing import duties in your country. 3M

SECTION B

2. a) Distinguish between import substitution and export promotion strategies of industrialisation.
- b) Explain the factors that must be in place for successful implementation of import substitution strategy in your country.
3. a) Distinguish between appropriate technology and intermediate technology.

- b) What are the limitations to the development of appropriate technology in your country?
4. a) Explain the term “ Protectionism”  
b) Examine the effects of protectionism in your country. 16M
- 5.a) Differentiate between balance of trade and balance of payments.  
b) Explain the causes of balance of payments problems in your country. 16M
- 6.a) What are the steps involved in computing cost of living indices? 08M  
b) Given the following table;

Item	Base year price (2002)	Current year price (2005)	Weight
Sugar	1000	1200	5
Salt	800	900	6
Maize flour	1200	1500	9
Soap	750	1000	6
Beans	400	650	8
Rice	1500	1800	7

- i) Calculate the price relative for each commodity.  
ii) Calculate the weighted index for each item.  
iii) Find the average simple index.  
iv) Find the weighted aggregate index.