

SENIOR SIX ECONOMICS TEST APRIL 2012

1. The following is true about leakages and injections in an economy;

- a) the equilibrium level of national income is attained when injections equals leakages
- b) injections are elements that reduce income level in the economy
- c) leakages do not have any effect on the national income level
- d) leakages are elements that increase national income in the circular flow of income

2. APC is defined as the;

- a) Proportion of additional income used for consumption expenditure
- b) Proportion of income that is used for consumption expenditure
- c) Desire by individuals to hold their wealth in cash form for expenditure purposes
- d) Tendency by individuals to spend their income rather than save it

3. The investment multiplier is the;

- a) Number of times investment expenditure multiplies itself to generate a change in investment
- b) Number of times income is realised out of an investment expenditure
- c) Number of times an initial change in investment multiplies itself to generate a final change in national income
- d) Number of times a change in investment expenditure multiplies to generate final level of income

4. The proportion of the additional income spent to purchase consumer goods is referred to as

- a) Average propensity to consume
- b) Marginal propensity to consume
- c) Accelerator principle

d) Positive time preference

5. Is the ease with which labour moves either geographically or occupationally.

a) Labour efficiency

b) Elasticity of labour

c) Movement of labour

d) Labour mobility

6. One of these is the most appropriate measure to bridge a recessionary gap in an economy

a) Increasing the taxation level

b) Discouraging exportation

c) Putting in place an expansionary monetary policy

d) Putting in place a restrictive monetary policy

7. One of these is the most appropriate measure to bridge a negative output gap

a) Putting in place a restrictive monetary policy

b) Putting in place a restrictive fiscal policy

c) Increasing wages for labour

d) Encouraging exportation

8. The tendency of an industry to remain located in an area despite the fact that the locational factors that attracted it to the area have ceased to exist is what is known as;

a) Industrial inertia

b) Industrial location

c) Backward linkage

d) Forward linkage

9. Is income available to individuals and households for spending and savings after personal income taxes and other compulsory payments have been deducted

- a) Disposable income
- b) Income per capita
- c) Personal income
- d) Personal expenditure income

10. Bilateral aid refers to

- a) Direct assistance from one country to another
- b) Assistance offered through an international aid agency
- c) Untied agency
- d) Vent for surplus

11. Is a deliberate policy under which government uses its level of expenditure and taxation programs to regulate the level of economic activities

- a) Monetary policy
- b) Taxation policy
- c) Fiscal policy
- d) Government policy

12. Economic dependence refers to;

- a) Reliance of an economy on other economies or sector for survival
- b) A situation where economies rely on each other for mutual benefit
- c) A situation when a country imports a lot from a country
- d) A situation where existing firms mainly depend on nature for inputs

13. Duopoly is a market structure in which there are

- a) few firms and many buyers
- b) only one firm and many buyers
- c) only two firms and many buyers
- d) one seller and one buyer

14. one of these is not a form of economic dependence in Uganda

- a) a. sectoral dependence
- b) external resource dependence
- c) unskilled labour dependence
- d) trade dependence
- e) direct economic dependence

15. Is the number of times by which an initial bank deposit multiplies itself to generate a final change in deposits

- a) accelerator
- b) credit multiplier
- c) bank multiplier
- d) depositing multiplier

16. What is the credit multiplier if cash ratio is 20%

- a) 5
- b) 0.5
- c) 100
- d) 50

17. Is a population size whose labour force is insufficient relative to the existing resources leading to low income per capita

- a) Under population
- b) Over population
- c) Ageing population
- d) Underemployment
- e) Over employment

18. Describes the combination of factor inputs needed to produce a particular output

- a) Production function
- b) Production possibility frontier
- c) Supply curve
- d) Isocost curve

19. To maximize profits, a firm must choose to produce output where its

- a) Marginal cost equals marginal revenue
- b) average cost is lowest
- c) marginal revenue is highest
- d) commodity price is highest

20. The following are true for short run production except;

- a) it is subject to the law of diminishing returns
- b) marginal cost rises as output increases beyond a certain level
- c) average cost initially falls

d) costs of the firm are influenced by economies and diseconomies of scale

21. An oil company responds to a 10% increase in oil prices by raising its oil production by 2% because

- a) supply of oil is price elastic
- b) supply of oil is price inelastic
- c) demand for oil is price elastic
- d) demand for oil is price inelastic

22. The size of the multiplier is affected by the proportion of any increase in income withdrawn as savings, tax or imports.

- a) The lower these marginal propensities, the less effective the multiplier
- b) The higher these marginal propensities, the higher the multiplier
- c) The greater these marginal propensities, the smaller the multiplier
- d) The lower these marginal propensities the lower the multiplier

-----Key-----

- 1. (a)
- 2. (b)
- 3. (c)
- 4. (b)
- 5. (d)
- 6. (c)
- 7. (a)

8. (a)

9. (a)

10. (a)

11. (c)

12. (a)

13. (c)

14. (c)

15. (b)

16. (a)

17. (a)

18. (a)

19. (a)

20. (d)

21. (b)

22. (c)