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Index Number.......................................................................

# THE WEST AFRICAN EXAMINATIONS COUNCIL

## West African Senior School Certificate Examination
## for Private Candidates

PC 2016                              ECONOMICS 2                              2 hours

*Do **not** open this booklet until you are told to do so. While you are waiting, read and observe the following instructions carefully. Write your **name** and **index number** in ink in the spaces provided above.*

PAPER 2
ESSAY
[ 80 marks]

2 hours

*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.  The table below shows the age distribution of the population of a hypothetical country in 2009. *Use the information in the table to answer the questions that follow.*

    | Age (years) | 0 - 17 | 18 - 49 | 50 - 60 | 61 and above |
    |---|---|---|---|---|
    | Population ( '000) | 900 | 550 | 300 | 250 |

    (a)  What is the country's total population?                                      [3 marks]

    (b)  Calculate:
        (i)    the ratio of population under 18 to population over 60 years.      [3 marks]
        (ii)   the dependency ratio.                                               [4 marks]

    (c)  What percentage of the population constitutes the labour force?              [4 marks]

    (d)  Explain whether the population is growing or declining.                      [3 marks]

    (e)  Given that the GDP of the country in 2009 is $4,000,000, what is the per capita income of the country?                                                              [3 marks]

2.  The trade figures for a West African country in a given year are given below.
    *Study the table and use the information given to answer the questions that follow.*

    | ITEMS | AMOUNT ($ m) |
    |---|---|
    | Export of cocoa | 200 |
    | Export of crude oil | 950 |
    | Import of motor vehicles | 250 |
    | Import of plant and machinery | 450 |
    | Shipping services on exports | 220 |
    | Shipping services on imports | 180 |
    | Insurance paid on exports | 45 |
    | Insurance paid on imports | 60 |
    | Expenditure on foreign tours | 140 |
    | Expenditure by foreign tourists | 80 |
    | Grants to other countries | 70 |
    | Grants received | 300 |
    | Loans from abroad | 550 |
    | Foreign private investment | 200 |
    | Investment abroad | 350 |

    Calculate the:
    (a)  Balance of Trade;                                                            [4 marks]

    (b)  Invisible Balance;                                                           [4 marks]

    (c)  Current Account Balance;                                                     [4 marks]

(d) Capital Account Balance; [4 marks]

(e) Balance of Payments. [4 marks]

## SECTION B

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

3. (a) Define the following concepts:
   (i) wants; [2 marks]
   (ii) scarcity; [2 marks]
   (iii) scale of preference; [2 marks]
   (iv) opportunity cost. [2 marks]

   (b) Explain any **four** reasons why the study of Economics is important to society. [12 marks]

4. (a) With specific examples, distinguish between *substitute goods* and *complementary goods*. [6 marks]

   (b) With the aid of diagrams, explain how Milo would be affected by **each** of the following factors:
   (i) An increase in the price of Ovaltine; [7 marks]
   (ii) An increase in the price of cocoa beans. [7 marks]

5. (a) What is:
   (i) a direct tax; [2 marks]
   (ii) an indirect tax? [2 marks]

   (b) Identify any **four** benefits of imposing import duties on goods. [12 marks]

   (c) State any **two** reasons why indirect tax is difficult to evade. [4 marks]

6. (a) Distinguish between *money market* and *capital market*. [4 marks]

   (b) Identify two institutions **each** which operate in the:
   (i) money market; [2 marks]
   (ii) capital market. [2 marks]

   (c) Explain **four** roles played by commercial banks in the economic development of your country. [12 marks]

7. (a) Explain the following terms:
   (i) transfer payment; [2 marks]
   (ii) intermediate products; [2 marks]
   (iii) subsistence production; [2 marks]
   (iv) per capita income. [2 marks]

   (b) Outline any **four** reasons why per capita income figures are not ideal for comparing the economic welfare of nations. [12 marks]

8. (a) What is:
   (i) supply of money; [2 marks]
   (ii) demand for money? [2 marks]

   (b) State any **two** motives for holding money. [4 marks]

   (c) Identify the **four** determinants of the value of money. [12 marks]

*END OF ESSAY TEST*