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Question 1

Table 1 below represents the cost and revenue positions of a firm producing roofing sheets. Study the table and answer the questions that follow.

Table 1

<i>Output (kg)</i>	<i>Total Revenue (\$)</i>	<i>Marginal Revenue (\$)</i>	<i>Total Cost (\$)</i>	<i>Marginal Cost (\$)</i>
10	150	-	250	-
20	300	15	300	5
30	420	12	J	2
40	520	10	350	3
50	600	I	430	8
60	660	6	530	K
70	690	3	680	15

- (a) Compute the values of **I**, **J** and **K**.
- (b) What is the equilibrium output level of the firm? Explain your answer.
- (c) Calculate the profit or loss at the equilibrium output level.
- (d) Is it economical for the firm to produce beyond 50 kg? Explain your answer.
- (e) In what market structure is the firm operating? Explain your answer.

Observation

This is one of the data response questions and most of the candidates who attempted it scored below average marks. The question required the candidates to calculate the values of **I**, **J** and **K** in the (a) part, determine the equilibrium output level of the firm and give a reason for the answer provided in the (b) part, calculate the profit or loss at the equilibrium output level in the (c) part of the question, determine if it is economical for the firm to

produce beyond 50 kg and give an explanation for the answer in the (d) part of the question and identify the market structure in which the firm is operating in the (e) part of the question. Most of the candidates who attempted this question were unable to calculate the values of **I**, **J** and **K** in the (a) part, few of them were able to determine the equilibrium output level of the firm in the (b) part. Many of the candidates were unable to calculate the profit or loss at the equilibrium output level, determine if it is economical for the firm to produce beyond 50 kg and identify the market structure in which the firm is operating in the (c), (d) and (e) parts of the question respectively; hence they could not obtain the maximum mark.

The candidates were expected to provide the following answers to score higher marks.

$$(a) \quad I = MR_{50} = \$ \frac{600 - \$520}{50\text{kg} - 40\text{kg}} = \$80 = \$8$$

$$J (TC_{30}) = J - \$300 = \$2$$

$$10\text{kg}$$

$$J - \$300 = \$20$$

$$J = \$300 + \$20$$

$$J = \$320$$

OR

$$J (TC_{30}) = \$350 - J = \$3$$

$$10\text{kg}$$

$$\$350 - J = \$30$$

$$J = \$350 - \$30$$

$$J = \$320$$

OR

$$J (TC_{30}) = TC_{20} + MC_{30}$$

$$= \$300 + \$2(10)$$

$$= \$300 + \$20$$

$$= \$320$$

$$K (MC_{60}) = \$ \frac{530 - \$430}{60\text{kg} - 50\text{kg}} = \$100 = \$10$$

(b) The equilibrium output level of the firm is 50kg. At this output level, MC = MR = \$8.

(c) At output level 50, profit is TR - TC = \$600 - \$430 = \$170.

(d) It is **not** economical to produce beyond 50 kg because any extra unit lowers marginal revenue while marginal cost increases.

(e) Monopoly or monopolistic competition.

Because marginal revenue is falling continuously in order to sell more. **OR**

Price is higher than MR at the equilibrium point e.g. AR₅₀ = TR / output = \$600 / 50 = \$12 > 8

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Question 2

Table 2 below shows the assets, income and tax obligations of a retired worker. Use the data to answer the questions that follow.

Table 2

<i>ITEM</i>	<i>VALUE(\$)</i>
Annual Pension	40,000
Value of House owned	200,000
Annual Rent from House	48,000
Value of School owned	550,000
Annual Profit from School	35,000
Annual Income Tax	33,500
Property Tax per year	10,000
Value of Taxi owned	17,500
Yearly Profit from Taxi	23,000

- (a) Calculate his:
- annual total income;
 - annual disposable income;
 - total value of capital assets.
- (b) Compute his disposable income per month.
- (c) If he pays 15% of his annual disposable income to the social welfare as his social responsibility, how much is left?

Observation

This is the alternative data response question to question 1 and it was attempted by few candidates, majority of whom scored below average marks. The question required candidates to calculate the annual total income, annual disposable income and total

value of capital assets of the retired worker in the (a) part of the question. The candidates were also required to compute his disposable income per month and the value of his annual disposable income that remains after paying 15% of his annual disposable income to social welfare in the (b) and (c) parts of the question respectively. Few of the candidates were able to calculate the annual total income, annual disposable income and total value of capital assets of the retired worker in the (a) part of the question; majority of them were unable to distinguish between total income and disposable income. Most candidates were unable to compute his monthly disposable income and the value of his annual disposable income that remains after paying 15% of his annual disposable income to social welfare in the (b) and (c) parts of the question respectively.

The candidates were expected to provide the following answers to obtain the maximum marks.

$$\begin{aligned} \text{(a)(i) Annual total income} \\ &= \$ 40,000 + \$ 48,000 + \$ 35,000 + \$ 23,000 \\ &= \$ 146,000 \end{aligned}$$

$$\begin{aligned} \text{(ii) Annual disposable income} \\ &= \$ 146,000 - (\$ 33,500 + \$ 10,000) \\ &= \$ 146,000 - \$ 43,500 \\ &= \$ 102,500 \end{aligned}$$

$$\begin{aligned} \text{(iii) Total value of capital assets} \\ &= \$ 200,000 + \$ 550,000 + \$ 17,500 \\ &= \$ 767,500 \end{aligned}$$

$$\begin{aligned} \text{(b) Annual disposable income} \\ 12 \\ &= \underline{\$ 102,500} \\ 12 \\ &= \$ 8541.67 / \$8541.7 / \$8542 \end{aligned}$$

$$\begin{aligned} \text{(c) } \frac{15}{100} \times \$ 102,500 &= \$ 15,375 \\ &= \$ 102,500 - \$ 15,375 = \$ 87,125 \end{aligned}$$

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Question 3

- (a) Define scale of preference.
- (b) Identify the ways through which scale of preference can assist:
 - (i) an individual;
 - (ii) a firm;
 - (iii) a government.
- (c) Explain any three reasons why the study of Economics is useful.

Observation

This question was attempted by a good number of the candidates. The question required candidates to define scale of preference in the (a) part of the question, identify the ways through which scale of preference can assist an individual, a firm and a government in the (b) part of the question. Candidates were also required to explain any three reasons why the study of Economics is useful in the (c) part of the question. Most candidates were able to define scale of preference in the (a) part of the question correctly. Few of the candidates were able to identify the ways through which scale of preference can assist an individual, a firm and a government in the (b) part of the question. Majority of the candidates were unable to explain the reasons why the study of Economics is useful in the (c) part of the question. The performance of candidates in this question was average.

Candidates were expected to answer thus to obtain maximum marks:

(a) Scale of preference is the ranking or the arrangement of wants in the order of their importance.

(b)(i) As a result of limited resources, an individual cannot satisfy all his wants. He will therefore arrange his wants according to their order of importance and purchase first the one that gives him the highest amount of satisfaction.

(ii) As a result of scarcity of resources, a firm cannot produce all the goods she wants. The owners will therefore arrange their production according to which one will

give the firm the highest amount of profit.

(iii) The government cannot produce all the goods and services the citizens want because of limited resources. She will therefore arrange the services according to the most urgent needs of the people to ensure maximum welfare.

(c)(i) The study of economics helps individuals, firms and governments to make rational use of the scarce resources.

(ii) It enables an individual to build up economic tools and principles which will assist in understanding issues confronting different societies (intellectual training).

(iii) It enables an individual to easily understand government policies.

(iv) It assists economic planners in the formulation of theories and policies that will assist in economic growth and development.

(v) It enables an individual to develop skills that will make him relevant and employable.

(vi) It assists an individual to become an informed voter (rational choices).

(vii) It also assists individuals to understand and predict the economic trends with some precision.

(viii) It helps to solve the basic economic problems of any society (what to produce, how to produce and so on.)

(ix) It is a prerequisite for the study of some courses. eg Accounting / Human Resource etc.

(x) It helps to enhance the understanding of economic relationships among individuals and groups in a society e.g. between consumers and producers.

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Question 4

- (a) Define a market economy.
- (b) Distinguish between capital intensive and labour intensive methods of production.
- (c) How is the economic problem of what to produce resolved in a:
 - (i) market economy;
 - (ii) socialist economy;
 - (iii) mixed economy?

Observation

This question attracted a lot of candidates most of whom scored relatively high marks.

Candidates were asked to define a market economy and to distinguish between capital intensive and labour intensive methods of production in the (a) and (b) parts of the question respectively. Candidates were also required to determine how the economic problem of what to produce is resolved in a market economy, socialist economy and mixed economy in the (c) part of the question. Most candidates were able to define market economy and distinguish between capital and labour intensive methods of production correctly in the (a) and (b) part of the question respectively. Some of them were also able to identify the way in which the problem of what to produce is resolved in a market economy, socialist economy and mixed economy in the (c) part of the question.

Candidates were expected to answer thus:

- (a) A market economy is an economic system in which the means of production are predominantly owned and controlled by the private sector and market forces decide what to produce.
- (b) A capital intensive method of production is one that employs large inputs of capital equipment with a relatively small proportion of labour.

A labour intensive method on the other hand employs a large proportion of labour relative to capital equipment in production. Production is dominated by human

effort.

(c)(i) In a market economy, the problem of what to produce is resolved through the forces of demand and supply (price mechanism). When buyers are ready to offer higher prices for a good, producers are ready to supply more because such goods offer them higher profits. When the price falls and production is not profitable, supply is reduced.

(ii) In a socialist economy, a planning committee determines what is good for the society and the capacity of the economy to produce the goods. It is the good approved by the planning committee that is produced.

(iii) In a mixed economy, both the private sector and the public sector coexist. The government moderates the activities of the private sector or the price mechanism.

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Question 5

- (a) Define elasticity of demand.
- (b) Explain the following
- (i) price elasticity of demand;
 - (ii) cross elasticity of demand;
 - (iii) income elasticity of demand
- (c) Draw diagrams only to illustrate the following elasticities:
- (i) unitary elastic supply;
 - (ii) perfectly inelastic supply;
 - (iii) infinitely elastic supply.

Observation

This question was attempted by few candidates. The candidates were required to define elasticity of demand and explain price, cross and income elasticities of demand in the (a) and (b) parts of the question respectively. Candidates were also required to use appropriate diagrams only to explain unitary elastic, perfectly inelastic and infinitely elastic supply in the (c) part of the question. Most of the candidates were able to define elasticity of demand correctly in the (a) part of the question; they were however unable to correctly explain price, cross and income elasticities of demand in the (b) part of the question. Most of the candidates were unable to use appropriate diagrams to illustrate unitary elastic, perfectly inelastic and infinitely elastic supply in the (c) part of the question. Candidates' performance was poor in this question.

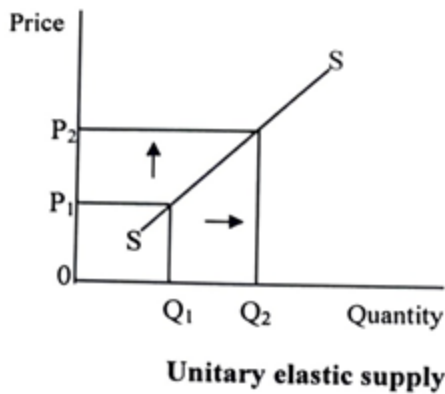
Candidates were expected to provide the following answer to score maximum marks in this question.

- (a) Elasticity of demand is the degree of responsiveness of quantity demanded to a change in any of the variables that affect demand such as the price of a

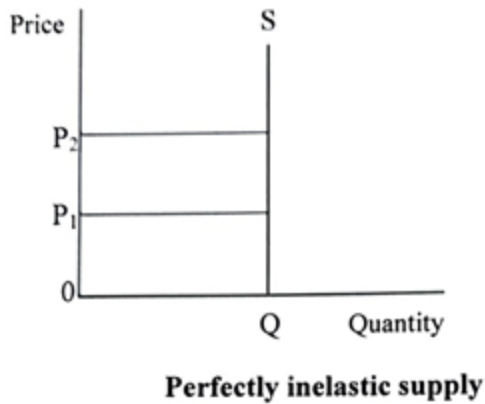
commodity, income and so on.

- (b) (i) Price elasticity of demand measures the degree of responsiveness of quantity demanded of a commodity to a change in the price of that commodity.
- (ii) Cross elasticity of demand measures the degree of responsiveness of quantity demanded of a commodity to a change in the price of related commodities.
- (iii) Income elasticity of demand measures the degree of responsiveness of quantity demanded of a commodity to a change in the income of consumers.

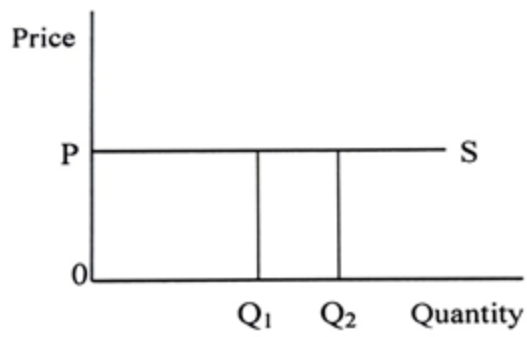
(c)(i)



(ii)



(iii)



Infinitely elastic supply

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Question 6

- (a) Define national budget.
- (b) Explain with an example each:
 - (i) capital expenditure;
 - (ii) recurrent expenditure.
- (c) In what four ways is a budget necessary for a government?

Observation

This question was also popular among the candidates and their performance was average. Candidates were required to define national budget in the (a) part of the question, explain capital expenditure and recurrent expenditure with a relevant example in the (b) part of the question and explain any four ways in which a budget is necessary for a government in the (c) part of the question. Majority of the candidates were able to define national budget and to explain capital expenditure and recurrent expenditure in the (a) and (b) parts of the question respectively. Most candidates were unable to explain the ways in which a budget is necessary for a government in the (c) part of the question. Candidates were expected to answer thus to score maximum marks in this question.

(a) A national budget is a financial statement of a country which shows the estimates of proposed expenditure and expected revenue for a year.

(b)(i) Capital expenditure is expenditure made on major projects which are durable in nature or last for a long time e.g. building a school, a dam etc.

(ii) Recurrent expenditure is government expenditure which occurs on regular basis or is repeated e.g. paying of salaries.

(c)(i) It helps to redistribute income where higher taxes are imposed on the rich as against the poor so as to enhance the welfare of the poor.

(ii) It helps to redistribute resources by taxing heavily certain sectors of the economy e.g. mining sector.

(iii) A budget can impose high taxes on imports thereby, controlling a balance of

payments deficit.

(iv) It helps to maintain economic stability where certain measures can be put in place e.g. price control, fiscal policies etc.

(v) It helps to implement policies and development plans which are embodied in the budget.

(vi) It can be used to address the problem of unemployment by increasing government expenditure.

(vii) It helps in evaluating the performance of government and the economy.

(viii) It helps government to raise revenue.

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Question 7

- (a) Explain the following forms of economic co-operation:
- (i) free trade area;
 - (ii) customs union.
- (b) Outline four problems hampering the effective economic integration of West African Countries.

Observation

This question was the most unpopular among the candidates. The performance of the few candidates who attempted it was below average. Candidates were expected to explain free trade area and customs union in the (a) part of the question. Candidates were also required to outline four problems hampering the effective economic integration of West African Countries in the (b) part of the question. Most of the candidates that attempted this question were unable to explain the concepts of free trade area and customs union and provide four problems hampering the effective economic integration of West African Countries in the (a) and (b) parts of the question respectively; hence their performance in this question was poor.

The candidates were expected to answer thus:

- (a)(i) A free trade area is a form of economic integration where all members **remove trade barriers among themselves**, but **each nation retains her own tariffs against non-members**.
- (ii) A customs union is a form of economic integration where **members abolish trade barriers among themselves**, but **retain a common tariff against non-members**.
- (b)(i) Political instability / insecurity in some countries.
- (ii) Influence of former colonial masters/ differences in ideologies of various member states.
- (iii) Fear of domination by economically powerful nations.
- (iv) Lack of political will by some leaders.
- (v) The use of different currencies in member states.

- (vi) Lack of proper infrastructure in some countries.
- (vii) Likelihood that some members will be unable to pay dues required of them.
- (viii) Unwillingness to remove tariffs for fear of losing revenue.
- (ix) Absence of basis for trade as members produce similar products.
- (x) Differences in monetary and fiscal policies in member countries.

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Question 8

- (a) What are forest resources?
 (b) Identify any two ways of conserving forest resources.
 (c) Explain any four contributions of forest resources to the economy of a country.

Observation

This question was attempted by almost all of the candidates. The candidates were required to define forest resources and identify any two ways of conserving forest resources in the (a) and (b) parts of the question respectively. Candidates were expected to explain any four contributions of forest resources to the economy of a country, as well, in the (c) part of the question. Most of the candidates were able to define forest resources and identify any two ways of conserving forest resources in the (a) and (b) parts of the question respectively, the contributions of forest resources to the economy of a country was also given by a majority of them in the (c) part of the question, however few candidates simply listed and did not bother explaining their points. Candidates' performance in this question was quite impressive.

The candidates were expected to give the following answers to score the maximum marks:

- (a) Forest resources are part of natural resources endowed by nature on man. It includes timber products, herbs, wild animals, grassland etc.
- (b)(i) Government must establish forest reserves where trees are preserved and can be felled under permit.
 (ii) Establishment of game reserves where wild life is kept and protected from poachers.
 (iii) Government must place felling of trees in any forest under permit. This will reduce illegal felling of trees.
 (iv) Government must also introduce permit on hunting of wild animals.
 (v) Government must discourage the use of firewood and charcoal by providing or

encouraging the use of other cheaper alternatives to firewood.

(vi) Government must punish offenders who encroach on forest resources.

(vii) Government, companies and individuals must embark on afforestation and reforestation schemes.

(viii) Create fire belts around forests to protect them.

(ix) There should be public education on the need to protect forests.

(c)(i) It provides employment and income for a large number of people who work as hunters and lumberjack.

(ii) It provides raw materials for industries e.g. wood for furniture industries and pulp for paper industries.

(iii) Source of food: wild animals, fruits and herbs are used as food.

(iv) Development of tourism: Natural habitats of plants and animals attract tourists which helps a country earn foreign exchange.

(v) Export of forest products serves as source of foreign exchange.

(vi) The government generates revenue from tax imposed on lumbering activities.

(vii) Environmental protection: Trees protect the earth's surface from direct sunlight and also prevent erosion.

(viii) It has health benefits by providing herbs, roots and barks for medicinal purposes.

(ix) It provides oxygen for the survival of man.

(x) It has a positive effect on the climate.

(xi) Forests provide the means for research and development for scientists.

(xii) Tourist attractions help a country earn foreign exchange.

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