ECONOMICS (TYPE F)

PAPER II

Answer **five** questions in all, **one** from section **A** and **four** from section **B**.

SECTION A

1. Given that the income of Mr. Shaba increases from ₦2,000 to ₦5,000 as a result of new minimum wage implementation and his demand for milk also increased from 10 to 20 tins.

   a. Calculate the coefficient of his income elasticity of demand. **(10 marks)**

   b. What is the nature of the elasticity in 'a' above? **(2 marks)**

   c. What kind of good is milk to Mr. Shaba? **(2marks)**

   d. Mention **three** determinants of elasticity of supply. **(6 marks)**

2. **Table 2.1** shows supposed age distribution of population in Orin-Ekiti, Ido/Osi local government of Ekiti State, Nigeria.

Table 2.1

Age Group	Population (in millions)
1 – 17	25
18 – 30	15
31 – 60	18
61 and above	17

(a) Use the information from **Table 2.1** to:
   i. Draw a pie chart **(12 marks)**
   ii. Calculate the percentage of dependent population **(4 marks)**

(b) State **two** effects of over-population. **(4 marks)**

SECTION B

3. Explain **five** functions performed by an Entrepreneur. (20 marks)

4. (a) What is Effective Demand? (5 marks)
   (b) Explain **five** factors that affect the demand for a commodity. (15 marks)

5. (a) Define Price System. (4 marks)
   (b) Explain **four** importance of Price System to an economy. (12 marks)
   (c) Give **two** differences between capitalist and socialist price system. (4 marks)

6. Discuss **five** problems affecting distribution of goods in Nigeria. (20 marks)

7. (a) What is localisation of industry? (5 marks)
   (b) Explain **five** factors that account for the siting of Dangote cement factory in Obajana, Kogi State. (15 marks)

8. (a) Define free market economy. (4 marks)
   (b) Explain **four** features of a socialist economic system. (16 marks)

9. (a) What is Unemployment? (4 marks)
   (b) State and explain **four** causes of unemployment in Nigeria. (16 marks)

10. (a) Distinguish between Perfect and Imperfect Market. (4 marks)
    (b) Explain **four** conditions necessary for a perfect market. (16 marks)

11. (a) What is deflation? (5 marks)
    (b) Expantiate on **three** causes of inflation in the Nigerian economy. (15 marks)

12. Discuss any **five** factors affecting the circular flow of income. (20 marks)

Question 1 - type F

(a)

Income (₦)	Quantity demanded (tins)
2000	10
5000	20

Percentage change in quantity demanded $= \left(\frac{20-10}{10}\right) \times 100$

$= \frac{10}{10} \times 100$

$= 100\%$

Percentage change in income $= \frac{5000-2000}{2000} \times 100\%$

$= \frac{3000}{2000} \times 100\%$

$= \frac{3}{2} \times 100\%$

$= 150\%$

Income elasticity $= \frac{\%\Delta \text{ quantity demanded}}{\%\Delta \text{ income}}$

$= \frac{100\%}{150\%} = \frac{2}{3} = 0.667$

(b) The elasticity of demand is inelastic since the coefficient of income elasticity is less than 1 [0.667]

(c) Milk is a normal good to Mr. Shaba because as his income increases, his demand for milk also increases, Thus indicating a positive type of income elasticity of demand.

(d) • Availability of factors of production: If they are readily available, supply will be elastic and vice versa
• The higher the cost of production, the more inelastic the supply and vice-versa
• Production takes time. The shorter the more elastic the supply. If it longer, supply will be inelastic in the short run.

(3)
(PICK ANY FIVE)
(i) Provision of Capital: The entrepreneur provides the funds needed to establish and operate the business. Capital may come from personal savings, loans or shareholders' contributions. The money is used to purchase land, machinery, raw materials and other resources required for production and business expansion.

(ii) Organisation of Factors of Production: The entrepreneur combines and coordinates land, labour, capital and enterprise to produce goods and services. He ensures that each factor is efficiently utilised and properly supervised so that the business can achieve its production objectives with minimum waste.

(iii) Risk Bearing: The entrepreneur bears the risks and uncertainties associated with business activities. He may suffer losses arising from changes in market conditions, theft, fire, competition or poor demand. Despite these uncertainties, he takes responsibility for the success or failure of the business.

(iv) Decision Making: The entrepreneur makes important decisions concerning production, pricing, investment, employment and marketing. He determines the goals and direction of the business after considering available information. Sound decisions improve efficiency, profitability and the long-term survival of the enterprise.

(v) Innovation: The entrepreneur introduces new ideas, products, production methods or marketing strategies into the business. Innovation enables the firm to improve product quality, reduce production costs, satisfy changing consumer needs and remain competitive in both local and international markets.

(vi) Employment Creation: By establishing and expanding business enterprises, the entrepreneur provides job opportunities for skilled and unskilled workers. This reduces unemployment, improves household incomes and contributes to the economic growth and development of the country.

(vii) Marketing of Products: The entrepreneur identifies customers' needs and ensures that goods and services are effectively promoted and distributed. He develops marketing strategies that increase sales, attract more customers and improve the profitability and reputation of the business.

(viii) Supervision and Control: The entrepreneur supervises workers and coordinates business activities to ensure that organisational objectives are achieved. He monitors production, evaluates employees' performance and ensures that resources are properly utilised to maximise efficiency and productivity.

(4a)
Effective demand is the desire for a good or service backed by both the willingness and the ability to pay for it at a given price and during a given period of time.

(4b)
(PICK ANY FIVE)
(i) Price of the Commodity: The price of a commodity directly affects the quantity demanded. When the price rises, consumers usually buy less because the commodity becomes more expensive. Conversely, when the price falls, consumers purchase more, provided other factors such as income and taste remain unchanged.

(ii) Consumers' Income: Changes in consumers' income influence their purchasing power. As income increases, demand for normal goods usually rises, while a fall in income reduces demand. However, demand for inferior goods may decline when consumers earn higher incomes and choose better-quality products.

(iii) Price of Related Goods: The prices of substitute and complementary goods influence demand. If the price of a substitute increases, consumers demand more of the commodity. If the price of a complementary good rises, demand for the commodity usually decreases because both goods are consumed together.

(iv) Taste and Fashion: Consumers' preferences, habits and fashion trends determine the quantity of goods demanded. Products that become fashionable or preferred enjoy increased demand, while those that lose popularity experience reduced demand. Advertising and changes in lifestyle also influence consumers' tastes.

(v) Size of Population: The number of people in a country or market affects the level of demand. A larger population creates more buyers and increases demand for goods and services. On the other hand, a smaller population reduces market demand and overall consumption.

(vi) Advertisement: Effective advertising informs and persuades consumers to purchase goods and services. It creates awareness of products, highlights their benefits and

stimulates demand. Poor or inadequate advertising may reduce consumers' interest and lower the demand for a commodity.

(vii) Expectations of Future Prices: Consumers' expectations regarding future prices affect current demand. If they expect prices to increase, they purchase more goods immediately. If they expect prices to fall, they postpone purchases, leading to a reduction in present demand.

(viii) Government Policy: Government measures such as taxation, subsidies and price controls influence demand. High taxes raise prices and reduce demand, while subsidies lower prices and encourage consumers to buy more of the commodity.

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(5a)
The price system is the mechanism through which the forces of demand and supply interact to determine the prices of goods and services and allocate scarce resources in an economy.

(5b)
(PICK ANY FOUR)
(i) Resource Allocation: The price system directs resources towards the production of goods and services that consumers demand most. Producers allocate labour, capital and raw materials to profitable activities, ensuring that scarce resources are efficiently utilised within the economy.

(ii) Determines Prices: The interaction of demand and supply establishes the prices of goods and services. This enables buyers and sellers to exchange goods at acceptable prices and promotes the efficient functioning of markets without unnecessary government interference.

(iii) Encourages Competition: The price system promotes competition among producers by encouraging them to improve quality, reduce costs and increase efficiency. Healthy competition benefits consumers through lower prices, better-quality products and a wider variety of goods and services.

(iv) Guides Production Decisions: Producers rely on market prices when deciding what, how and how much to produce. Rising prices encourage increased production, while falling prices discourage production, thereby helping firms respond appropriately to changes in consumer demand.

(v) Encourages Efficient Use of Resources: Since resources are scarce, the price system discourages waste by directing them to their most valuable uses. Producers seek to

minimise production costs while maximising output, thereby increasing productivity and economic efficiency.

(vi) Promotes Consumer Choice: Consumers decide what to purchase according to their income and the prevailing market prices. This freedom of choice enables consumers to maximise satisfaction while producers respond to changing consumer preferences.

(5c)
(PICK ANY TWO)
(i) In a capitalist price system, prices are determined mainly by the forces of demand and supply, whereas in a socialist price system, prices are largely fixed or controlled by the government.

(ii) In a capitalist price system, private individuals own and control most means of production, whereas in a socialist price system, the government owns and controls the major means of production.

(iii) In a capitalist price system, the major objective is profit maximisation, whereas in a socialist price system, the major objective is social welfare and public interest.

(iv) In a capitalist price system, consumers and producers enjoy greater economic freedom, whereas in a socialist price system, government planning largely determines production and consumption decisions.

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(6)
(PICK ANY FIVE)
(i) Poor Transportation Network: Bad roads, inadequate railway systems and poorly developed waterways make the movement of goods slow and expensive. Many products are damaged before reaching consumers, while transport delays increase distribution costs and reduce the efficiency of marketing activities across different parts of Nigeria.

(ii) Inadequate Storage Facilities: Nigeria lacks sufficient warehouses, silos and cold storage facilities for preserving goods. As a result, many agricultural and perishable products spoil before reaching consumers. This reduces supply, increases wastage, raises prices and lowers the income earned by producers and distributors.

(iii) High Cost of Transportation: Rising fuel prices, expensive vehicle maintenance and multiple transport levies significantly increase the cost of distributing goods. Producers and traders often transfer these costs to consumers through higher prices, making products less affordable and reducing the efficiency of the distribution system.

(iv) Insecurity: Armed robbery, kidnapping, terrorism, banditry and vandalism discourage the movement of goods across many parts of the country. Transporters face greater risks and incur additional security expenses. These challenges cause delays, increase costs, reduce market supplies and discourage business expansion.

(v) Poor Power Supply: Frequent electricity outages affect storage, preservation and processing of goods, especially perishable products. Businesses spend heavily on generators and fuel, increasing operating costs. This reduces distribution efficiency, causes product losses and eventually leads to higher prices for consumers throughout the country.

(vi) Multiple Taxation: Producers and distributors often pay numerous taxes, levies and illegal road charges imposed by different authorities. These additional costs increase the overall cost of distribution. Businesses transfer such expenses to consumers, resulting in higher prices and reduced competitiveness of locally produced goods.

(vii) Poor Communication System: Inadequate communication facilities make it difficult for producers, distributors and consumers to exchange timely market information. This leads to delays in placing orders, poor coordination of deliveries, inefficient marketing decisions and unnecessary distribution costs across various parts of the country.

(viii) Lack of Adequate Capital: Many wholesalers and distributors lack sufficient funds to purchase vehicles, build warehouses or maintain large inventories. Limited capital restricts their ability to distribute goods efficiently, expand operations or respond quickly to changes in market demand, thereby slowing the distribution process.

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(7a)
Localisation of industry is the concentration of firms producing similar or related products in a particular geographical area so that they can enjoy common advantages such as shared facilities, skilled labour, raw materials and improved market access.

(7b)
(PICK ANY FIVE)
(i) Availability of Limestone: Obajana possesses abundant deposits of high-quality limestone, which is the major raw material for cement production. Locating the factory close to the limestone deposits reduces transportation costs, guarantees regular raw material supply and lowers the overall cost of manufacturing cement.

(ii) Good Transportation Network: The factory is connected to major roads linking different parts of Nigeria. This facilitates the movement of raw materials into the factory and the distribution of finished cement to different markets efficiently, thereby reducing transportation costs and delivery delays.

(iii) Availability of Land: Obajana has vast areas of land suitable for large-scale industrial activities. The availability of adequate land provided enough space for the construction of the factory, storage facilities, expansion projects and other supporting infrastructure required for efficient production.

(iv) Availability of Labour: The factory has access to both skilled and unskilled workers from Kogi State and neighbouring states. Adequate labour supply ensures efficient production, reduces recruitment difficulties and supports the continuous operation and expansion of the cement manufacturing plant.

(v) Availability of Power Supply: Cement production requires a large amount of energy. The availability of electricity and alternative power sources in Obajana supports uninterrupted production, improves operational efficiency and reduces production delays associated with inadequate energy supply.

(vi) Large Market: Nigeria has a rapidly growing demand for cement because of increasing construction activities and infrastructural development. Establishing the factory in Obajana enables Dangote Cement to distribute products efficiently to different parts of the country and satisfy market demand.

(vii) Government Support: Government policies promoting local manufacturing, investment incentives and infrastructural development encouraged the establishment of the factory in Obajana. Such support reduced investment risks, promoted industrialisation and created a favourable environment for large-scale cement production.

(viii) Availability of Water: Cement manufacturing requires a reliable water supply for processing, cooling and other industrial operations. The availability of adequate water resources in Obajana contributes to efficient production and supports the continuous operation of the cement factory.

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(8a)
A free market economy is an economic system in which the allocation of resources, production and distribution of goods and services are determined mainly by the forces of demand and supply, with little or no government interference.

(8b)
(PICK ANY FOUR)

(i) Government Ownership of Resources: In a socialist economy, the government owns and controls the major means of production such as land, industries, mines and transport. This enables the state to direct economic activities towards achieving national development and improving the welfare of the citizens.

(ii) Central Planning: Economic decisions regarding what to produce, how to produce and for whom to produce are made by a central planning authority. The government prepares economic plans that guide production, investment and distribution in order to achieve national economic objectives.

(iii) Limited Private Ownership: Private individuals are allowed little or no ownership of major productive resources. Most large-scale industries and public utilities are owned and managed by the government, while private businesses operate under strict government regulations and supervision.

(iv) Production for Social Welfare: Goods and services are produced primarily to satisfy the needs of the people rather than to maximise profits. The government ensures that essential goods and services are made available to all citizens at affordable prices.

(v) Government Control of Prices: Prices of many goods and services are determined or regulated by the government instead of being left entirely to market forces. This helps prevent exploitation, control inflation and ensure that basic commodities remain affordable to the public.

(vi) Equal Distribution of Income: A socialist economy aims to reduce income inequality by distributing wealth and resources more fairly. Government policies such as progressive taxation and social welfare programmes help minimise the gap between the rich and the poor.

(vii) Restricted Competition: Competition among producers is limited because most industries are owned by the government. This prevents unnecessary duplication of resources and allows economic activities to be coordinated according to national development plans.

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(9a)
Unemployment is a situation in which people who are willing, able and actively seeking work at the prevailing wage rate are unable to secure gainful employment.

(9b)
(PICK ANY FOUR)
(i) Rapid Population Growth: Nigeria's population is increasing faster than the rate at which new jobs are created. As more people enter the labour market each year, available

employment opportunities become insufficient, leading to a high level of unemployment among graduates and other job seekers.

(ii) Decline of Industries: Many industries operate below capacity or have closed due to poor infrastructure, inadequate power supply and economic challenges. As businesses reduce production or shut down completely, many workers lose their jobs and become unemployed.

(iii) Lack of Technical Skills: Many job seekers do not possess the practical and technical skills required by employers. This mismatch between available jobs and workers' qualifications makes it difficult for many unemployed people to secure suitable employment opportunities.

(iv) Rural-Urban Migration: Many people migrate from rural areas to urban centres in search of better jobs. Since urban industries cannot absorb the increasing number of job seekers, many migrants remain unemployed or underemployed for long periods.

(v) Economic Recession: During periods of economic downturn, businesses experience low sales and declining profits. Many firms reduce production, retrench workers or suspend recruitment, thereby increasing the level of unemployment throughout the economy.

(vi) Poor Investment Climate: Inadequate infrastructure, insecurity and unstable government policies discourage both local and foreign investors from establishing businesses. Consequently, fewer industries are created, reducing employment opportunities for the growing labour force.

(vii) Corruption: Corruption diverts public funds meant for development projects and discourages investment. As economic growth slows and fewer productive projects are executed, employment opportunities become limited, resulting in increased unemployment.

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(10a)
(PICK ANY TWO)

Perfect Market	Imperfect Market
(i) There are many buyers and sellers.	There are few buyers or sellers.
(ii) Products are homogeneous (identical).	Products are differentiated or not identical.

(iii) Buyers and sellers have perfect knowledge of the market. | Buyers and sellers do not possess perfect market information. |

(iv) Firms have no control over prices. | Firms can influence or control prices to some extent.

(10b)
(i) Large Number of Buyers and Sellers: A perfect market must have many buyers and sellers so that no single participant can influence the market price. Each individual buys or sells only a small proportion of the total output available in the market.

(ii) Homogeneous Products: All firms must produce identical goods of the same quality and standard. Since products are exactly alike, buyers have no preference for one seller over another, making competition purely based on the prevailing market price.

(iii) Perfect Knowledge: Buyers and sellers must possess complete information about prices, quality and market conditions. This enables consumers to make informed purchasing decisions while preventing sellers from charging excessive prices or exploiting buyers.

(iv) Free Entry and Exit: Firms should be free to enter or leave the market without legal, financial or technical restrictions. This encourages competition, prevents monopolies and ensures that resources move into profitable industries whenever necessary.

(v) Perfect Mobility of Factors of Production: Labour, capital and other productive resources should move freely from one industry or location to another. This ensures that resources are allocated efficiently and production responds quickly to changes in market demand.

(vi) Absence of Transport Costs: Transportation costs should be negligible or the same for all producers and consumers. This ensures that the selling price of goods remains uniform throughout the market and prevents price differences caused by location.

(vii) No Government Interference: The government should not impose price controls, excessive taxation or unnecessary regulations. Market forces of demand and supply should determine prices and output without external influence.

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(11a)
Deflation is a persistent fall in the general price level of goods and services in an economy over a period of time, resulting in an increase in the purchasing power of money.

(11b)
(PICK ANY THREE)
(i) Excessive Money Supply: When too much money circulates in the economy without a corresponding increase in the production of goods and services, consumers have more purchasing power. This increases demand beyond supply, causing the general price level to rise.

(ii) Increase in Cost of Production: Rising costs of raw materials, fuel, electricity, transportation and wages increase production expenses. Producers transfer these additional costs to consumers by raising the prices of goods and services, resulting in cost-push inflation.

(iii) High Government Expenditure: Excessive government spending increases aggregate demand for goods and services. If production does not increase at the same rate, demand exceeds supply, causing prices to rise throughout the economy.

(iv) Exchange Rate Depreciation: A fall in the value of the naira makes imported raw materials and finished goods more expensive. Since Nigeria depends heavily on imports, the higher import costs increase production costs and contribute to rising domestic prices.

(v) Scarcity of Goods: Poor harvests, insecurity, natural disasters and supply chain disruptions reduce the availability of goods. When supply becomes insufficient to meet demand, prices rise, leading to inflation.

(vi) Hoarding and Speculation: Some traders deliberately withhold goods from the market to create artificial scarcity. As supply decreases while demand remains high, prices increase, contributing to inflationary pressures in the economy.

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(12)
(PICK ANY FIVE)
(i) Savings: When households save a large portion of their income instead of spending it, less money flows to producers through the purchase of goods and services. This reduces consumption expenditure and slows down the circular flow of income in the economy.

(ii) Taxation: Taxes reduce the disposable income available to households and the profits earned by firms. Lower disposable income reduces consumption and investment expenditure, thereby decreasing the volume of income circulating within the economy.

(iii) Investment: Increased investment by businesses in factories, machinery and infrastructure injects additional income into the economy. It creates employment

opportunities, raises production and increases the flow of income among households and firms.

(iv) Government Expenditure: Government spending on roads, schools, hospitals and other public projects injects money into the economy. It creates employment, increases household incomes, stimulates demand and promotes a faster circular flow of income.

(v) Imports: When consumers purchase imported goods, money flows out of the domestic economy to foreign producers. This reduces the income available to local firms and weakens the circular flow of income within the country.

(vi) Exports: The sale of goods and services to foreign countries brings additional income into the domestic economy. Export earnings increase production, create employment and strengthen the circular flow of income through higher business and household incomes.

(vii) Bank Lending and Credit: Commercial banks increase the circular flow of income by granting loans to households and businesses. Credit finances consumption and investment, stimulates production, creates employment and increases the volume of money circulating in the economy.