# NECO ECONOMICS (TYPE A)

## 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. The distribution given below is the income earned in thousands of Naira per month by 10 hypothetical wage earners in Azeez Pharmaceutical Company; 20, 10, 12, 16, 10, 14, 18, 10, 16 and 14.

   Compute the:

   i. Modal income **(2 marks)**

   ii. Median income **(3 marks)**

   iii. Mean income **(5 marks)**

   iv. Standard deviation **(10 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. (a) Define Marketing Board. (5 marks)
   (b) Discuss **three** functions of Marketing Board. (15 marks)

7. Discuss **five** factors militating against rapid Industrialisation in Nigeria. (20 marks)

8. (a) Explain the relationship between Savings and Investment. (8 marks)
   (b) Elaborate on **three** factors that affect Personal Consumption Expenditure. (12 marks)

9. Write short notes on the following:
   (i) Under Population (4 marks)
   (ii) Over Population (4 marks)
   (iii) Optimum Population (4 marks)
   (iv) Malthusian Population Theory (8 marks)

10. (a) Define Supply of Labour. (4 marks)
    (b) Expatiate on **four** factors that affect the supply of Labour. (16 marks)

11. (a) What is Comparative Cost Advantage? (5 marks)
    (b) Elaborate on **five** assumptions of Comparative Cost Advantage. (15 marks)

12. Explain **five** functions of Economic and Financial Crimes Commission (EFCC). (20 marks)

## QUESTION 1

(a)

| Income (₦) | Quantity demanded (milk) |
|---|---|
| 2000 | 10 |
| 5000 | 20 |

## QUESTION 1

(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 el[illegible]

## QUESTION 2

| Income x ['000] | frequency f | fx ['000] | ['000] $x-\bar{x}$ | [$10^6$] $(x-\bar{x})^2$ | [$10^6$] $f(x-\bar{x})^2$ |
|---|---|---|---|---|---|
| 10 | 3 | 30 | −4 | 16 | 48 |
| 12 | 1 | 12 | −2 | 4 | 4 |
| 14 | 2 | 28 | 0 | 0 | 0 |
| 16 | 2 | 32 | 2 | 4 | 8 |
| 18 | 1 | 18 | 4 | 16 | 16 |
| 20 | 1 | 20 | 6 | 36 | 36 |

(i) modal Income = Income with highest frequency
= ₦10,000 per month

(ii) Median Income = $\frac{(5th + 6th)\text{ Income}}{2}$

$= \frac{₦14{,}000 + ₦14{,}000}{2}$

= ₦14,000 per month.

(iii) Mean $= \frac{\Sigma fx}{\Sigma f} = \frac{[30+12+28+32+18+20] \times 1000}{3+1+2+2+1+1}$

$= \frac{[30+40+50+20] \times 1000}{10}$

$= \frac{[140] \times 1000}{10}$

Mean Income, $\bar{x}$ = ₦14,000 per month

(iv) standard deviation $= \sqrt{\frac{\Sigma f(x-\bar{x})^2}{\Sigma f}}$

$= \sqrt{\frac{[48+4+0+8+16+36] \times 10^6}{10}}$

$= \sqrt{\frac{112 \times 10^6}{10}}$

$= \sqrt{11.2} \times 10^3$

(3)
(PICK ANY FIVE)
(i) Provision of Capital: An entrepreneur provides the funds required to establish and operate the business. He invests his personal savings or obtains capital through loans, shareholders or financial institutions. The money is used to acquire land, buildings, machinery, raw materials and other resources needed for production. Without adequate capital, the business cannot operate efficiently or expand.

(ii) Organising the Factors of Production: The entrepreneur combines and coordinates the four factors of production, namely land, labour, capital and enterprise, to achieve the objectives of the business. He ensures that each resource is available at the right time and is used efficiently. Proper coordination reduces waste, increases productivity and helps the business produce goods and services effectively.

(iii) Decision Making: The entrepreneur is responsible for making important decisions concerning the operation of the business. He decides what goods or services to produce, the quantity to produce, the production methods to use, where production should take place and how the products should be marketed. Good decision-making enables the business to remain competitive and profitable.

(iv) Bearing Business Risks: An entrepreneur bears all the risks and uncertainties associated with running the business. He may suffer losses due to changes in consumer demand, competition, fire outbreaks, theft, government policies or economic recession. If the business succeeds, he enjoys the profits, but if it fails, he alone bears the financial consequences.

(v) Innovation: An entrepreneur introduces new ideas, products, production methods or marketing strategies to improve business performance. He adopts modern technology, develops better products and improves production processes to satisfy customers and increase profits. Innovation helps the business remain competitive and adapt to changes in the market.

(vi) Employment and Management of Labour: The entrepreneur recruits qualified workers, assigns duties, supervises their activities and ensures that they are properly trained and motivated. He also provides good working conditions and evaluates workers' performance regularly. Effective management of labour increases productivity and helps the business achieve its objectives efficiently.

(vii) Marketing and Distribution of Products: The entrepreneur identifies the needs of consumers and ensures that goods and services are produced to satisfy those needs. He advertises, promotes and distributes products to customers through appropriate channels. He also sets competitive prices and collects feedback from customers to improve the quality of products and increase sales.

(viii) Planning and Control of Business Activities: The entrepreneur plans the future activities of the business by setting objectives, preparing budgets and developing production schedules. He monitors the performance of the business, compares actual results with planned targets and takes corrective measures whenever necessary. Effective planning and control ensure efficient use of resources and promote the long-term growth of the business.

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(4a)
(PICK ANY ONE)
Effective demand is the quantity of a good or service that consumers are willing and able to purchase at a given price over a given period of time. It combines the desire for the commodity with the financial ability and readiness to pay for it, making it capable of affecting market demand.

OR

Effective demand is the quantity of a commodity that consumers are willing, able and ready to buy at a given price and during a given period of time. It is demand backed by both the willingness and the purchasing power to pay for the commodity.

(4b)
(PICK ANY FIVE)
(i) Price of the Commodity: The price of a commodity is one of the major factors affecting demand. Generally, when the price of a commodity rises, the quantity demanded falls, while a fall in price leads to an increase in quantity demanded, provided other factors remain constant.

(ii) Consumers' Income: The income of consumers influences their purchasing power. An increase in income usually leads to an increase in the demand for normal goods, while a decrease in income reduces demand. However, the demand for inferior goods may fall when income rises.

(iii) Price of Related Goods: The demand for a commodity is affected by the prices of substitute and complementary goods. If the price of a substitute rises, demand for the commodity increases. On the other hand, if the price of a complementary good rises, demand for the commodity decreases.

(iv) Taste, Fashion and Preference: Changes in consumers' tastes, fashion and preferences can increase or decrease demand. Goods that become fashionable or preferred by consumers experience higher demand, while goods that go out of fashion experience lower demand.

(v) Size of Population:

The larger the population of a country or area, the greater the demand for goods and services because more people are available to buy them. A decline in population reduces the demand for most commodities.

(vi) Advertisement:
Advertising creates awareness and persuades consumers to buy a product. Effective advertising increases the demand for a commodity by attracting new customers and encouraging existing customers to purchase more.

(vii) Expectation of Future Price Changes:
If consumers expect the price of a commodity to rise in the future, they may buy more now, increasing current demand. If they expect prices to fall, they may postpone purchases, leading to a decrease in current demand.

(viii) Seasonal Changes:
Demand for certain goods changes with the seasons. For example, umbrellas and raincoats are in higher demand during the rainy season, while fans and cold drinks are more demanded during the dry season.

(ix) Distribution of Income:
Where income is evenly distributed among the population, more people can afford to buy goods, thereby increasing demand. Unequal distribution of income may reduce the demand for some commodities.

(x) Government Policy:
Government policies such as taxation, subsidies, import restrictions and price control can affect the demand for commodities. For example, high taxes may reduce consumers' purchasing power and lower demand, while subsidies may encourage higher demand.

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(5a)
(PICK ANY ONE)
Price system is the method or mechanism by which the prices of goods, services and factors of production are determined through the interaction of demand and supply. It acts as a guide for producers and consumers in deciding what to produce, what to buy and how scarce resources should be allocated in an economy.

OR

Price system is the mechanism through which the prices of goods and services are determined by the interaction of the forces of demand and supply in the market. It guides producers and consumers in making economic decisions and ensures the efficient allocation of scarce resources.

(5b)
(PICK ANY FOUR)
(i) Resource Allocation: The price system helps to allocate scarce resources to their most efficient uses. Resources are directed towards the production of goods and services that consumers demand most, thereby reducing waste and improving efficiency.

(ii) Determines What to Produce: The price system guides producers in deciding the types and quantities of goods and services to produce. Commodities with high demand and high prices attract more producers, while those with low demand receive less attention.

(iii) Determines Income Distribution: The price system determines the income earned by owners of the factors of production. Wages are paid to labour, rent to landowners, interest to providers of capital and profit to entrepreneurs according to market forces.

(iv) Encourages Competition: The price system promotes healthy competition among producers. Businesses strive to improve the quality of their products, reduce production costs and charge competitive prices in order to attract more customers.

(v) Guides Consumer Choice: Consumers use prices to decide what and how much to buy. They purchase more of goods whose prices are affordable and reduce the purchase of goods whose prices are high, depending on their income.

(vi) Promotes Efficiency: The price system encourages producers to use available resources efficiently. Firms that waste resources incur higher costs and may lose customers, while efficient firms are rewarded with higher profits.

(vii) Regulates Demand and Supply: The price system helps to bring demand and supply into equilibrium. When demand exceeds supply, prices rise and encourage producers to increase output. When supply exceeds demand, prices fall and producers reduce production.

(viii) Encourages Innovation: The possibility of earning higher profits motivates entrepreneurs to introduce new products, improve production techniques and adopt modern technology, thereby promoting economic growth.

(5c)
(PICK ANY TWO)
(i) In a capitalist price system, prices are determined by the forces of demand and supply. While In a socialist price system, prices are fixed and controlled by the government or central planning authority.

(ii) In a capitalist price system, the means of production are privately owned by individuals and firms. While In a socialist price system, the means of production are mainly owned and controlled by the government.

(iii) In a capitalist price system, consumers and producers are free to make economic decisions. While In a socialist price system, major economic decisions are made by the government.

(iv) In a capitalist price system, competition among producers is encouraged. While In a socialist price system, competition is limited because production and pricing are centrally planned.

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(6a)
(PICK ANY ONE)
A marketing board is a government-established statutory body responsible for the purchase, grading, storage, pricing, marketing and export of selected agricultural commodities. Its main aim is to ensure stable prices, improve the quality of produce, protect farmers from exploitation and promote the development of agricultural production.

OR

A marketing board is a statutory organization established by the government to regulate the buying, selling, grading, storage, pricing and export of specified agricultural commodities. It protects the interests of both producers and consumers while promoting the orderly marketing of agricultural products.

(6b)
(PICK ANY THREE)
(i) Purchase and Marketing of Agricultural Produce: A marketing board purchases agricultural products such as cocoa, groundnuts, cotton and palm produce directly from farmers at fixed prices. It markets these products both within the country and in the international market, thereby providing farmers with a ready market and reducing exploitation by middlemen.

(ii) Price Stabilization: The marketing board helps to stabilize the prices of agricultural commodities by fixing prices for farmers. It prevents excessive fluctuations in prices caused by changes in demand and supply. This gives farmers confidence to continue production because they are assured of reasonable and stable prices for their produce.

(iii) Storage and Preservation of Produce: The marketing board provides warehouses, silos and other storage facilities for agricultural products. Proper storage reduces post-harvest losses, protects produce from spoilage and pests, and ensures that commodities remain available throughout the year.

(iv) Quality Control and Grading: The board inspects, grades and standardizes agricultural products before they are sold or exported. This ensures that only high-quality produce reaches consumers and foreign markets, thereby improving the country's reputation and increasing export earnings.

(v) Promotion of Agricultural Production: Marketing boards encourage increased agricultural production by guaranteeing a market for farmers' produce. They also provide improved seedlings, fertilizers, pesticides and extension services to farmers to increase output and improve productivity.

(vi) Export Promotion: The marketing board promotes the export of agricultural commodities by finding foreign markets and ensuring that export products meet international standards. This increases the country's foreign exchange earnings and contributes to economic development.

(vii) Provision of Market Information: The board collects and supplies farmers with information on market prices, demand, production techniques and export opportunities. This enables farmers to make informed production and marketing decisions.

(viii) Generation of Government Revenue:
Marketing boards generate revenue for the government through the sale and export of agricultural commodities. The revenue realized can be used to finance development projects and improve public services.

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(7)
(PICK ANY FIVE)
(i) Inadequate Power Supply: Unreliable electricity is one of the greatest obstacles to industrialisation in Nigeria. Frequent power outages force industries to depend on generators, increasing production costs. High operating expenses reduce profits, discourage investors, and make locally produced goods more expensive than imported products.

(ii) Poor Transportation Network: Bad roads, inefficient railways, and congested seaports make it difficult to transport raw materials to factories and distribute finished goods to markets. This causes delays, increases transportation costs, and reduces the efficiency and competitiveness of industries.

(iii) Lack of Capital: Many entrepreneurs lack sufficient funds to establish or expand industries. Commercial banks often charge high interest rates, making loans difficult to obtain. As a result, many industries cannot purchase modern equipment or increase production capacity.

(iv) Poor Government Policies: Frequent changes in industrialT policies, multiple taxation, and excessive government regulations create an unfavourable business environment. These policies discourage both local and foreign investors from establishing industries and slow down industrial development.

(v) Inadequate Technology: Most Nigerian industries rely on outdated machinery and imported technology. This leads to low productivity, poor product quality, frequent machine breakdowns, and high production costs, making industries less competitive in both local and international markets.

(vi) Insecurity: Problems such as terrorism, kidnapping, armed robbery, vandalism, and communal conflicts discourage investment in industries. Many businesses spend heavily on security or relocate to safer areas, reducing industrial growth and employment opportunities.

(vii) Shortage of Skilled Manpower: Nigeria has an inadequate supply of well-trained engineers, technicians, and other skilled industrial workers. This reduces production efficiency, limits innovation, increases dependence on foreign experts, and slows the growth and expansion of industries.

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(9)
(i) Under Population:
Under population is a situation where the population of a country is too small compared with the available natural and economic resources. As a result, resources are not fully utilized, production remains below capacity, and the economy cannot achieve maximum output. Labour becomes scarce, reducing the rate of economic growth and development.

(ii) Over Population:
Over population is a situation where the population of a country exceeds the available resources needed to support it at a reasonable standard of living. It leads to high unemployment, pressure on social amenities, food shortages, low per capita income, congestion, poverty, and a decline in the general standard of living of the people.

(iii) Optimum Population:
Optimum population refers to the population size that makes the best use of a country's available resources and produces the highest output per person. At this level, resources are efficiently utilized, employment opportunities are adequate, productivity is high, and the standard of living of the people is at its maximum possible level.

(iv) Malthusian Population Theory:
The Malthusian Population Theory was propounded by Thomas Robert Malthus. It states that population grows at a geometric rate (1, 2, 4, 8, 16), while food production increases at an arithmetic rate (1, 2, 3, 4, 5). According to the theory, rapid population growth will eventually exceed food supply, causing famine, poverty, disease, and starvation unless preventive checks such as family planning or positive checks like wars and epidemics reduce population growth.

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(10a)
(PICK ANY ONE)
Supply of labour is the total number of workers who are willing and able to offer their services for employment at different wage rates during a given period of time. It refers to the amount of labour available for production in an economy and is influenced by factors such as wage rate, population size, education, skills, and working conditions.

OR

Supply of labour is the quantity of labour services that individuals are willing and able to provide for employment at various wage rates over a specified period. It represents the total labour force available for productive activities in an economy and generally increases when wage rates become more attractive.

(10b)
(PICK ANY FOUR)
(i) Wage Rate: The level of wages greatly influences the supply of labour. When wages are high, more people are encouraged to work or remain in employment because they expect higher earnings. High wages may also attract workers from other occupations or regions. On the other hand, low wages discourage people from offering their labour, thereby reducing the supply of labour.

(ii) Size of Population: The population of a country determines the number of people available for work. A large population usually provides a larger labour force, increasing the supply of labour, provided a good proportion of the population is of working age. A small population, however, limits the number of workers available for productive activities.

(iii) Level of Education and Training: Education and vocational training improve the knowledge, skills and efficiency of workers. A country with many educated and well-trained people has a larger supply of skilled labour. In contrast, poor educational facilities and inadequate training reduce the number of qualified workers available for employment.

(iv) Working Conditions: Good working conditions encourage people to accept and remain in jobs, thereby increasing the supply of labour. Factors such as safe working environments, reasonable working hours, job security, medical benefits and other incentives attract more workers. Poor working conditions discourage workers and reduce labour supply.

(v) Government Policy: Government policies relating to employment, taxation, retirement age, minimum wage, immigration and labour laws influence the supply of labour. For example, favourable employment policies and a reasonable minimum wage encourage more people to work, while restrictive policies may reduce the supply of labour.

(vi) Immigration and Emigration: Immigration increases the supply of labour by bringing additional workers into a country. Emigration reduces the supply of labour because skilled and unskilled workers leave the country in search of better employment opportunities elsewhere, leading to labour shortages in some sectors.

(vii) Health Condition of Workers: The health status of the labour force affects its supply. Healthy workers are more willing and able to work efficiently, increasing labour supply. However, widespread diseases, poor healthcare facilities and frequent illnesses reduce the number of people available for productive employment.

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(11a)
(PICK ANY ONE)
Comparative cost advantage is the ability of a country, firm or individual to produce a good or service at a lower opportunity cost than another country, firm or individual, even if it does not have the lowest absolute cost of production. It is the principle that each producer should specialise in producing the goods or services for which it has the lowest comparative cost and exchange them for other goods. This leads to efficient use of resources, increased production, and mutual benefits from trade.

OR

Comparative cost advantage is an economic principle which states that a country, firm, or individual should specialise in producing the goods and services it can produce at a relatively lower opportunity cost than others. Even if a country is less efficient in producing all goods, it can still benefit from trade by concentrating on the products in which it has the greatest comparative advantage. This encourages specialization, increases efficiency, promotes international trade, and improves the overall welfare of trading countries.

(11b)
(PICK ANY FIVE)
(i) Two Countries and Two Commodities: The theory assumes that there are only two countries producing and trading only two commodities. This simplifies the analysis of comparative costs and international trade.

(ii) Labour is the Only Factor of Production: The theory assumes that labour is the only factor used in producing goods and that the cost of production is measured solely by the amount of labour required.

(iii) Free Trade Exists: It assumes that there are no restrictions on international trade such as tariffs, quotas or import bans. Goods can move freely between countries without government interference.

(iv) Perfect Mobility of Labour Within a Country: Labour is assumed to move freely from one industry to another within the same country to ensure efficient allocation of resources. However, labour is assumed to be immobile between different countries.

(v) Constant Cost of Production: The theory assumes that production takes place under constant costs, meaning that the cost of producing each additional unit of a commodity remains the same regardless of the level of output.

(vi) Full Employment of Resources: It assumes that all available labour and other productive resources are fully employed, so there are no unemployed or idle resources in the economy.

(vii) No Transportation Costs: The theory assumes that there are no costs involved in transporting goods from one country to another, allowing trade to take place without affecting prices or comparative advantages.

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(12)
(PICK ANY FIVE)
(i) Investigation of Economic and Financial Crimes: The EFCC investigates cases involving corruption, fraud, money laundering, internet fraud (cybercrime), embezzlement, bribery, advance fee fraud (419), and other financial crimes. It gathers evidence, interrogates suspects, and uncovers criminal activities to ensure offenders are brought to justice.

(ii) Arrest and Prosecution of Offenders: The Commission has the power to arrest individuals and organisations suspected of committing economic and financial crimes. After thorough investigation, it prosecutes offenders in competent courts of law to ensure that those found guilty are punished according to the law and to discourage others from engaging in such crimes.

(iii) Recovery of Stolen Public Funds and Assets: One of the major functions of the EFCC is to trace, seize, confiscate and recover money, properties and other assets acquired through illegal means. Recovered assets are returned to the government or rightful owners, thereby reducing the financial losses caused by corruption and other economic crimes.

(iv) Public Enlightenment and Prevention of Financial Crimes: The EFCC educates the public on the dangers and consequences of economic and financial crimes through seminars, workshops, media campaigns and school programmes. This creates awareness, promotes honesty and integrity, and helps prevent people from becoming victims or perpetrators of financial crimes.

(v) Collaboration with Other Agencies: The EFCC works closely with agencies such as the Nigeria Police Force, the Independent Corrupt Practices and Other Related Offences Commission (ICPC), the Central Bank of Nigeria (CBN), the Nigeria Customs Service, and international organisations like INTERPOL to investigate and combat financial crimes effectively.

(vi) Enforcement of Anti-Money Laundering Laws: The Commission ensures compliance with laws against money laundering and other financial crimes by monitoring financial institutions, investigating violations, and prosecuting offenders. This helps to prevent the use of illegally acquired funds in the economy.

(vii) Protection of the Economy and Investors: By reducing corruption, fraud and other financial crimes, the EFCC helps to improve Nigeria's business environment. This promotes investor confidence, encourages both local and foreign investment, and contributes to sustainable economic growth