PAPER II

SECTION A

Answer only **one** question from this section.

1. If a consumer in 2019 purchased two commodities say rice and beans, such that their costs are ₦600 and ₦500 respectively. However, in 2022, the costs of the same quantities of goods increases to ₦1,000 and ₦2,000.

(a) Calculate the;

i. Retail price index **(6 marks)**

ii. Weighted retail price index if the consumer spends three times as much on rice than on beans **(6 marks)**

iii. Interpret your answer in (ii.) above **(2 marks)**

(b) Briefly explain the three motives for holding money. **(6 marks)**

2. Table 2.1 represents Mr. Adebowale's annual income and the quantity of garri demanded.

Table 2.1.

Year	Annual Income	Quantity Demanded (Garri per measure)
2021	₦120,000	50
2022	₦200,000	40

(a) From **Table 2.1,** Calculate:

i. co-efficient of income. **(10 marks)**

ii. what type of goods is garri to Mr. Adebowale **(2 marks)**

(b) Briefly explain four factors affecting elasticity of supply. **(8 marks)**

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SECTION B

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

3. (a) What is opportunity cost? **(5 marks)**
   (b) Explain the relevance of opportunity cost to
      i. individual.
      ii. firm.
      iii. government. **(15 marks)**

4. (a) Explain any **three** differences between public and private limited companies. **(12 marks)**
   (a) Write short notes on the following:
      i. Article of Association
      ii. Memorandum of Association **(8 marks)**

5. (a) Define labour force? **(4 marks)**
   (b) Explain any four factors affecting the demand for labour. **(16 marks)**

6. Discuss any **five** problems associated with mining activities in Nigeria. **(20 marks)**

7. (a) Explain the channel of distribution? **(5 marks)**
   (b) With the aid of diagrams, explain
      i. change in demand.
      ii. change in quantity demand.
      iii. exceptional demand curve. **(15 marks)**

8. (a) What is perfect competitive market? **(5 marks)**
   (b) Explain any **five** types of imperfect market. **(15 marks)**

9. (a) Distinguish clearly between location of industry and localisation of industries. **(4 marks)**
   (b) Discuss any **four** ways by which government can encourage industrialisation in Nigeria. **(16 marks)**

10. Explain the **four** canons of taxation. **(20 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 2

(a) (i) % change in quantity demanded $= \frac{40-50}{50} \times 100\%$

$= -\frac{10}{50} \times 100\%$

$= -20\%$

% change in annual income $= \frac{₦200{,}000 - ₦120{,}000}{₦120{,}000} \times 100\%$

$= \frac{₦80{,}000}{₦120{,}000} \times 100\%$

$= 66.67\%$

Coefficient of income elasticity $= \frac{\%\Delta \text{ in quantity demanded}}{\%\Delta \text{ Annual income}}$

$= \frac{-20\%}{66.67\%} = -0.3$

TYPE C

(ii) Garri is an Inferior Good to Mr. Adebawale, since the income increased but quantity demanded decreased.

(b)
- Availability of factors of production: Where factors of production are easily available, supply will be elastic and vice versa.
- Capacity utilisation: When producers have spare capacities, supply will be elastic and vice-versa
- If the producer sells in many markets, the supply in any one market will be elastic since he can increase or decrease the supply in any of the markets.
- Durable commodities tend to be more elastic than non-durable goods

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(3a)

Opportunity cost is the value of the next best alternative that is forgone or sacrificed when a choice is made among several competing alternatives. It arises because resources are scarce and cannot be used for more than one purpose at the same time. Therefore, whenever an individual, firm, or government chooses one option, the benefits of the next best alternative given up become the opportunity cost.

(3bi)
Opportunity cost is important to an individual because it helps in making wise economic decisions whenever resources such as income and time are limited. It enables individuals to compare different alternatives before making a choice and ensures that limited resources are used for the most important needs. It also helps people to set priorities, avoid unnecessary spending, and make better decisions regarding saving, investment, and consumption.

(3bii)
Opportunity cost is important to a firm because it helps management to allocate scarce resources efficiently among different production activities. It enables firms to compare the expected benefits of various investment opportunities and select the most profitable one. Opportunity cost also assists firms in deciding what goods to produce, the quantity to produce, and the best way to utilize labour, capital, raw materials, and machinery to maximize profits and minimize losses.

(3biii)
Opportunity cost is important to the government because it helps in the proper allocation of scarce public resources among competing sectors of the economy. Since government funds are limited, opportunity cost enables the government to decide whether to spend more on education, healthcare, agriculture, defence, transportation, or other development projects. It also promotes efficient use of public funds, proper planning, and the implementation of policies that will provide the greatest benefits to the economy and improve the standard of living of the citizens.

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(4a)
(PICK ANY SIX)
(i) A public limited company can invite the general public to buy its shares, while a private limited company cannot invite the general public to subscribe to its shares.
(ii) A public limited company has no restriction on the transfer of shares, while a private limited company restricts the transfer of shares.
(iii) A public limited company requires a minimum of seven members for its formation, while a private limited company requires a minimum of two members.
(iv) A public limited company can be listed on the stock exchange to buy and sell its shares, while a private limited company cannot be listed on the stock exchange.
(v) A public limited company is required by law to publish its financial statements for public inspection, while a private limited company is not required to publish its financial statements publicly.
(vi) A public limited company is subject to stricter government regulations and legal requirements, while a private limited company operates under fewer legal formalities and government regulations.

(4bi)
Articles of Association: The Articles of Association is a legal document that contains the internal rules and regulations governing the management and administration of a company. It defines the rights, duties, and powers of directors, shareholders, and company officers. It also states the procedures for conducting meetings, issuing shares, declaring dividends, appointing directors, and managing the day-to-day affairs of the company. It serves as a guide for the internal operation of the company.

(4bii)
Memorandum of Association: The Memorandum of Association is the principal legal document that establishes a company and defines its relationship with the outside world. It contains the company's name, registered office, objectives, authorized share capital, liability of members, and the nature and scope of the company's business activities. It serves as

the company's constitution and specifies the limits within which the company is legally permitted to operate.

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(5a)
Labour force refers to the total number of people of working age who are willing and able to work for wages or salaries at a given period. It includes both employed persons and unemployed persons who are actively seeking employment. The labour force represents the economically active population of a country.

(5b)
(PICK ANY FOUR)
(i) Demand for Goods and Services: The demand for labour is derived from the demand for the goods and services produced by firms. When consumers demand more goods and services, producers increase production and employ more workers. Conversely, when demand for goods falls, firms reduce production and employ fewer workers.
(ii) Wage Rate: The level of wages paid to workers influences the demand for labour. High wages increase the cost of production and may cause employers to reduce the number of workers they employ. Low wages reduce production costs and encourage firms to employ more labour.
(iii) Level of Technology: Technological advancement affects the demand for labour. The use of modern machines and automation may reduce the demand for unskilled workers because machines perform many tasks more efficiently. However, it increases the demand for skilled workers who can operate and maintain the equipment.
(iv) Availability of Capital: The amount of capital available to firms determines their ability to employ workers. Firms with adequate financial resources can expand production, purchase equipment, and employ more workers, while firms with insufficient capital may reduce employment.
(v) Productivity of Labour: Employers prefer to employ workers who are highly productive because they contribute more to output and profitability.

Workers with better education, training, skills, and experience are usually in higher demand than less productive workers.
(vi) Government Policies: Government policies such as minimum wage laws, taxation, labour regulations, industrial policies, and employment programmes influence the demand for labour. Policies that encourage investment and business expansion increase employment opportunities, while restrictive policies may reduce the demand for labour.

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(6)
(i) Environmental Pollution: Mining activities cause serious environmental pollution through the release of dust, toxic chemicals, smoke, and waste materials into the air, water, and soil. This pollution destroys ecosystems, contaminates water sources, affects agriculture, and poses serious health risks to nearby communities.
(ii) Land Degradation: Mining leads to the destruction of fertile agricultural land through excavation, erosion, and deforestation. Large areas of land become unsuitable for farming and other productive activities, resulting in reduced agricultural output and loss of biodiversity.
(iii) Health Hazards: Workers and people living near mining areas are exposed to dangerous dust, poisonous chemicals, and harmful gases. These can lead to respiratory diseases, skin infections, hearing problems, and other serious health conditions, thereby reducing the quality of life.
(iv) Displacement of Communities: Mining projects often require large areas of land, forcing local communities to leave their homes and farmlands. This displacement causes loss of livelihoods, social conflicts, homelessness, and disruption of traditional ways of life.
(v) High Cost of Mining Operations: Mining requires huge financial investments in exploration, heavy machinery, transportation, skilled labour, and safety measures. Many investors find it difficult to finance mining projects, which slows the development of the mining sector.
(vi) Inadequate Infrastructure: Poor roads, unreliable electricity supply, inadequate water supply, and poor communication facilities make mining operations difficult and expensive in Nigeria. The lack of infrastructure

discourages investment, increases production costs, and reduces the overall contribution of the mining sector to economic development.

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(8a)
A perfect competitive market is a market structure in which there are many buyers and sellers, no single buyer or seller can influence the market price, the products sold are homogeneous (identical), there is free entry and exit of firms, and both buyers and sellers have perfect knowledge of market conditions. In this market, the price is determined solely by the forces of demand and supply.

(8b)
(PICK ANY FIVE)
(i) Monopoly: A monopoly is a market structure in which there is only one seller producing a unique product with no close substitute. The single producer has complete control over the price and supply of the product because there is no competition.
(ii) Duopoly: A duopoly is a type of imperfect market where only two firms dominate the production and sale of a particular product or service. The actions of one firm usually influence the decisions of the other, making competition limited.
(iii) Oligopoly: An oligopoly is a market structure in which a few large firms dominate the market. These firms produce similar or differentiated products and often compete through advertising, product quality, and pricing. The decisions of one firm usually affect the others.
(iv) Monopolistic Competition: Monopolistic competition is a market structure in which there are many sellers producing similar but differentiated products. Firms compete by improving product quality, branding, packaging, and advertising, giving each producer some control over price.
(v) Monopsony: A monopsony is a market situation where there is only one major buyer but many sellers. Because there is only one buyer, it has

significant power to determine the price it is willing to pay for goods or services.
(vi) Oligopsony: Oligopsony is a market structure in which there are only a few buyers but many sellers. The few buyers possess considerable bargaining power and can influence the prices paid to producers.
(vii) Bilateral Monopoly: A bilateral monopoly is a market structure where there is only one seller and one buyer. In such a market, the price is determined through negotiation between the single producer and the single buyer.
(viii) Discriminating Monopoly: A discriminating monopoly is a type of monopoly in which the monopolist charges different prices to different consumers for the same product based on factors such as location, income level, age, or quantity purchased, with the aim of maximizing profit.

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(9a)
Location of industry refers to the establishment or siting of a particular industry in a specific place or geographical area where production takes place, while localisation of industries refers to the concentration or grouping of many industries producing the same or related products in one particular area or region due to the advantages they derive from being close to one another.

(9b)
(PICK ANY FOUR)
(i) Provision of Adequate Infrastructure: The government should provide basic infrastructure such as good roads, reliable electricity, clean water supply, efficient transportation, and communication facilities. These reduce production costs, improve efficiency, and encourage both local and foreign investors to establish industries.
(ii) Provision of Loans and Financial Assistance: The government can encourage industrialisation by providing soft loans, grants, and credit facilities to entrepreneurs through banks and development finance

institutions. Easy access to finance enables investors to establish new industries and expand existing ones.
(iii) Formulation of Stable Government Policies: The government should formulate consistent and investor-friendly industrial policies relating to taxation, import duties, foreign exchange, and business regulations. Stable policies create confidence among investors and encourage long-term industrial investment.
(iv) Development of Skilled Manpower: The government should invest in education, technical schools, vocational training centres, and skill acquisition programmes. The availability of skilled workers increases productivity, promotes technological development, and supports industrial growth.
(v) Encouragement of Local and Foreign Investment: The government should create a favourable business environment by granting tax holidays, subsidies, import duty concessions, and other incentives to investors. These incentives attract both local and foreign investors to establish industries in Nigeria.
(vi) Development and Utilisation of Raw Materials: The government should encourage agriculture, mining, and other sectors that supply raw materials to industries. Ensuring a steady supply of locally available raw materials reduces dependence on imports, lowers production costs, and promotes rapid industrialisation.

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(10)
(PICK ANY FOUR)
(i) Canon of Equity: The canon of equity states that taxation should be fair and just to all taxpayers. Every individual should pay tax according to his or her ability to pay, so that those with higher incomes contribute more than those with lower incomes. This principle ensures fairness in the distribution of the tax burden and promotes social justice.
(ii) Canon of Certainty: The canon of certainty states that the amount of tax to be paid, the time of payment, the method of payment, and the manner of assessment should be clearly stated and known to taxpayers. There should

be no ambiguity or arbitrariness in the tax system, as this encourages voluntary compliance and reduces disputes between taxpayers and tax authorities.
(iii) Canon of Convenience: According to this canon, taxes should be collected at a time and in a manner that is convenient for taxpayers. For example, income tax may be deducted directly from workers' salaries when they receive their wages. This makes tax payment easier, encourages compliance, and reduces the burden on taxpayers.
(iv) Canon of Economy: The canon of economy states that the cost of assessing, administering, and collecting taxes should be as low as possible. The government should ensure that a large proportion of the revenue collected is not wasted on collection expenses. An efficient tax system minimizes administrative costs while maximizing government revenue.
(v) Canon of Productivity (or Yield): This canon states that a good tax system should generate sufficient revenue for the government to finance public expenditure and development projects. Taxes should be productive enough to provide a steady and reliable source of income without imposing unnecessary hardship on taxpayers.
(vi) Canon of Flexibility: The canon of flexibility states that the tax system should be capable of adjusting to changes in the economy and government financial needs. During periods of economic growth or emergencies, the government should be able to increase or reduce taxes without causing serious disruption to economic activities. A flexible tax system enables the government to respond effectively to changing economic conditions.