

**THE INSTITUTE OF CHARTERED
ACCOUNTANTS (GHANA)**



**MAY 2009 EXAMINATIONS
(PROFESSIONAL)**

PART 1

**ECONOMICS
(Paper 1.3)**

Attempt five (5) Questions

TIME ALLOWED: 3 HOURS

SECTION A (MICRO)

NB: Answer only three (3) Questions in this Section

QUESTION 1

- a) Distinguish between the following:
- i. Joint supply and competitive supply *(4 marks)*
 - ii. A decrease in supply and a decrease in quantity supplied. *(4 marks)*
- b) Explain any **three (3)** factors that can cause a decrease in the supply of a commodity. *(12 marks)*
- Total: 20 marks**

QUESTION 2

- a) Identify and explain **four (4)** features of a perfectly competitive market. *(8 marks)*
- b) With the aid of a diagram, show that a perfect competitor in long run equilibrium makes normal profit and exhausts economies of scale. *(12 marks)*
- Total: 20 marks**

QUESTION 3

a) State the law of diminishing returns.

(5 marks)

b) Explain each of the following as applicable to a variable factor:

i. increasing returns

ii. decreasing returns

iii. negative returns

(15 marks)

Total: 20 marks

QUESTION 4

a) Explain the term privatization

(4 marks)

b) Advance **four (4)** arguments to justify privatization programme in Ghana.

(8 marks)

c) Advance **four (4)** arguments against privatization in Ghana.

(8 marks)

Total: 20 marks

SECTION B (MACRO)

NB: Answer only two (2) Questions in this Section

QUESTION 5

- a) Differentiate between the following:
- i. A legal tender and a cheque *(4 marks)*
 - ii. Convertible currency and fiduciary issue *(4 marks)*
- b) Describe any **four (4)** functions of commercial banks. *(12 marks)*
- Total: 20 marks**

QUESTION 6

- a) Explain the following terms:
- i. The budget *(4 marks)*
 - ii. The national debt *(4 marks)*
- b) Explain why government expenditure has been increasing in recent years. *(12 marks)*
- Total: 20 marks**

QUESTION 7

a) Explain the following national income terms.

- i. Leakages
- ii. Injections
- iii. Transfer payments

(6 marks)

b) Distinguish between nominal GNP and real GNP

(4 marks)

c) The table below shows the output price per unit of output and the price index for 2000 – 2004 of a hypothetical economy. The year 2001 is the base period. Study the table and answer the questions that follow:

1 Year	2 Units of output	3 Price per unit \$	4 Price index	5 Nominal GNP \$m	6 Real GNP \$m
2000	30	2	0.5 or 50%		
2001	50	4	0.1 or 100%		
2002	60	5	1.25 or 125%		
2003	80	6	1.5 or 150%		
2004	90	8	2.0 or 200%		

Complete the table by calculating

- i. the nominal GNP
- ii. real GNP

(10 marks)

Total: 20 marks