



CHARTERED INSTITUTE OF BANKERS, GHANA
ASSOCIATESHIP EXAMINATION
LEVEL I
ECONOMICS IN BANKING

OCTOBER 2022

N.B.

- 1. Read the instructions on the cover of the answer book carefully.**
- 2. Answer FIVE (5) questions only. EACH QUESTION CARRIES 20 MARKS.**
- 3. Time allowed: THREE HOURS.**
- 4. Candidates must ensure that they answer questions in the appropriate answer book and NOT on loose sheets which are supplementary sheets. Such answers will not be marked.**
- 5. DO NOT WRITE YOUR NAME ON THE ANSWER BOOK.**
- 6. DO NOT OPEN THIS QUESTION PAPER UNTIL YOU HAVE BEEN INSTRUCTED TO DO SO.**

ANSWER FIVE QUESTIONS ONLY

QUESTION ONE

- (a) In Economics, needs and wants of man are collectively termed what? **(4 marks)**
- (b) Name any four main needs of man. **(4 marks)**
- (c) Distinguish between necessity and luxury. **(4marks)**
- (d) Name the ONE main factor which determines price. **(4 marks)**
- (e) Define the term economic system. **(4 marks)**

(Total: 20 marks)

QUESTION TWO

- (a) Define the term demand. **(4 marks)**
- (b) Name any two factors that may promote increasing quantities of a product to be bought at each possible price. **(4 marks)**
- (c) Define the term taste and preference for a product. **(4 marks)**
- (d) In unity price elasticity of demand, price changes cause what effect on total revenue? **(4 marks)**
- (e) Give two reasons why you buy more quantities of a commodity when your income rises. **(4 marks)**

(Total marks:20)

QUESTION THREE

- (a) Mention two advantages of price mechanism. **(4 marks)**
- (b) Mention two factors that determine price elasticity of supply. **(4 marks)**
- (c) What are the firm's explicit costs? **(4 marks)**
- (d) The fixed cost and the variable cost of production are collectively termed what? **(4 marks)**
- (e) A competitive firm's price is GHc10, ATC is GHC 5, quantity supplied is 20, calculate its profit level. **(4 marks)**

(Total marks:20)

QUESTION FOUR

- (a) Under what condition may a pure monopoly exist? **(4 marks)**
- (b) Name any four characteristics of a pure monopoly. **(4 marks)**
- (c) Name any two limits of monopoly power. **(4 marks)**
- (d) How does the monopolist determine his normal profit? **(4 marks)**
- (e) What type of monopoly is postal service? **(4 marks)**

(Total marks:20)

QUESTION FIVE

- (a) State two positive effects of free trade. **(4 marks)**
 - (b) Mention any two non-tariff barriers to free trade. **(4 marks)**
 - (c) List two arguments used to support trade restrictions. **(4 marks)**
 - (d) State two factors that may cause imports to rise. **(4 marks)**
 - (e) State two factors that may cause the foreign exchange rate to change. **(4 marks)**
- (Total marks:20)**

QUESTION SIX

- (a) Mention any four traditional functions of a commercial bank. **(4 marks)**
 - (b) Mention any two effects of a bank rate changes. **(4 marks)**
 - (c) What are the main functions of the non-bank financial institutions? **(4 marks)**
 - (d) A commercial bank has reserves totaling GHc 40,000 and debt liabilities of GHc 100,000. If the reserve requirement is 25%,
 - i) Calculate the bank's cash ratio. **(4 marks)**
 - ii) How much is the bank required to hold in reserve? **(4 marks)**
- (Total marks:20)**

QUESTION SEVEN

- (a) What is legal money? **(4 marks)**
 - (b) State two factors that determine the amount of money people reserve for speculative motives. **(4 marks)**
 - (c) Name two items that count as money. **(4 marks)**
 - (d) What is the most basic requirement of money? **(4 marks)**
 - (e) Define the term bank rate. **(4 marks)**
- (Total marks:20)**

QUESTION EIGHT

- (a) Name two sources of government income. **(4 marks)**
 - (b) State two reasons why the government imposes taxes. **(4 marks)**
 - (c) List two advantages of direct tax. **(4 marks)**
 - (d) Give two reasons why direct taxes provide low revenue for your government. **(4 marks)**
 - (e) Mention two disadvantages of indirect taxes. **(4 marks)**
- (Total marks:20)**