



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

APRIL 2023

N.B:

- 1. Read the instructions on the cover of the answer book carefully.**
- 2. Answer FIVE (5) questions only out of a total of EIGHT (8) questions.**
- 3. Time allowed: THREE HOURS. EACH QUESTION CARRIES 20 MARKS**
- 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) Briefly explain why Economics is said to be the study of choice under conditions of scarcity. **(4marks)**
- b) Name two forces that create economic friction. **(4 marks)**
- c) Define the term “wants”. **(4 marks)**

Use the concept of marginal utility to answer questions (d) to (f)

- d) What happens to marginal utility when price falls? **(3 marks)**
- e) Explain why Kofi can fetch water from a nearby stream without paying money for the water he collects. **(3 marks)**
- f) Explain why an effective advertisement of a given commodity often leads to an increase in price of that commodity. **(2 marks)**

(Total marks:20)

QUESTION TWO

- a) Name any three economic assumptions made while analyzing demand **(6 marks)**
- b) Name any three reasons which normally induce a consumer to buy more units of a commodity as his income rises. **(6 marks)**
- c) State any three determinants of supply of maize. **(6 marks)**
- d) Name any two commodities whose supply is fairly inelastic. **(2 marks)**

(Total marks:20)

QUESTION THREE

- ai) Name the main factors of production. **(2 marks)**
- aii) Name any four fixed capital items. **(2 marks)**
- b) What does the U-shaped curve of the marginal cost (MC) indicate? **(4 marks)**
- c) Name the main distinct market structures. **(4 marks)**
- d) Mention two features of free competition. **(4 marks)**
- e) Name any two factors that determine the total cost of any firm **(4 marks)**

(Total marks:20)

QUESTION FOUR

- a) State four main types of inflation in your country. **(4 marks)**
- b) State two measures that may be adopted to control deflation. **(4 marks)**
- c) List two effects of unemployment. **(4 marks)**

- d) State two possible effects that may arise if the minimum wage rate is increased above the equilibrium wage. (4 marks)
- e) The rates of job separation and job finding determine what? (4 marks)

(Total marks:20)

QUESTION FIVE

- a) Name four items that feature in the marginal cost of a retail bank. (4 marks)
- b) Under what condition does average cost, AC, fall to its minimum? (4 marks)
- c) State two factors that cause market structures to differ in general respects. (4 marks)
- d) Mention two characteristics of pure monopoly. (4 marks)
- e) Mention any two effects of profit. (4 marks)

(Total marks:20)

QUESTION SIX

- ai) Define the term financial intermediaries. (2 marks)
- aii) Define the term bond. (2 marks)
- b) State three conditions under which the central bank can function effectively. (6 marks)
- c) Mention three main sources of income for the commercial banks. (6 marks)
- d) What has forced the banks to adopt universal banking? (2 marks)
- e) A banking system can expand money supply by an amount equal to what? (2 marks)

(Total marks:20)

QUESTION SEVEN

- a) State the three main classifications of money. (6 marks)
- bi) Define the term money supply. (2 marks)
- bii) State two main functions of money. (4 marks)
- c) Mention three main advantages gained in the use of open market operations. (6 marks)
- d) What happens to the current value of a given sum of money if the interest rate rises? (2 marks)

(Total marks:20)

QUESTION EIGHT

a) State two main aims of fiscal policy. **(4 marks)**

b) Mention three economic effects of taxation. **(6 marks)**

c) What is Value Added Tax (VAT)? **(4 marks)**

Kwame imports cycles at a total cost of GHC45.00 each. He sells to Kwasi who in turn sells to Kofi. At each level of sales, 10% VAT is imposed; profit is also earned as shown in the Table below.

	Initial Cost	Profit	VAT	TC/Selling Price
Kwame		GHC2.50	GHC4.50	
Kwasi	GHC52.30	GHC2.20		
Kofi		GHC1.90		GHC 68.00

Calculate the six missing figures. **(6 marks)**

(Total marks:20)