



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

**APRIL 2024**

**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. EACH QUESTION CARRIES 20 MARKS.**
- 4. Time allowed: THREE HOURS**
- 5. 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.**
- 6. DO NOT WRITE YOUR NAME ON THE ANSWER BOOK.**
- 7. DO NOT OPEN THIS QUESTION PAPER UNTIL YOU HAVE BEEN INSTRUCTED TO DO SO.**

## ANSWER FIVE QUESTIONS ONLY

### QUESTION 1

- (a) What is meant by *supply* of a commodity? [4 marks]
- (b) Assume that Mont Richcon Ltd. manufactures concrete blocks for sale.  
Explain the effects of an increase in Minimum Wage on the supply of blocks from Mont Richcon. [4 marks]
- (c) Explain the term *Economic System*. [4 marks]
- (d) Give *two* (2) reasons why Ghana can be classified as a Mixed Economic System. [4 marks]
- (e) The Interest Rate of a bank increases from 20% pa to 40% pa. As a result, demand for loans decreases from GH¢200,000.00 to GH¢150,000.00.  
Calculate the Interest Rate Elasticity of Demand for loans and interpret your answer. [4 marks]
- (Total: 20 marks)

### QUESTION 2

Cocoa and Coffee are common cash crops in Ghana. The knowledge of their Demand and Supply is crucial for national development. Assume the Demand and Supply functions of Cocoa are given as  $Q^d = 12 - p$  and  $Q^s = 9.6 + 0.5p - 0.2p_c$  respectively. Where  $Q^d$  is Quantity Demanded and  $Q^s$  is Quantity Supplied of Cocoa,  $p$  is the Price of Cocoa and  $p_c$  is the Price of Coffee.

- (a) Determine the Equilibrium Price and Quantity of Cocoa if  $p_c = \text{GH¢}3.00$ . [6 marks]
- (b) Determine the new Equilibrium Price and Quantity of Cocoa if the price of Coffee increases from its original price of  $p_c = \text{GH¢}3.00$  to  $\text{GH¢}6.00$ . [6 marks]
- (c) Represent the solutions in *a* and *b* above with a diagram. [6 marks]
- (d) Explain whether Cocoa and Coffee have Joint, Composite or Competitive Supply. [2 marks]
- (Total: 20 marks)

### QUESTION 3

- (a) What is a *Perfect Competitive Market* in Economics? [2 marks]
- (b) Identify *three* (3) features of Perfect Competition. [6 marks]
- (c) Assuming a competitive firm's Price (P) is GH¢12, Average Total Cost (ATC) is GH¢13, Average Variable Cost (AVC) is GH¢10, and Quantity Supplied (QS) is 25.

Calculate the firm's Profit level and explain why it *should or should not* shut down in the short run. [6 marks]

(d) Explain the term *Oligopoly* as a Market Structure. [2 marks]

(e) What is *Price Ceiling*? Mention *two* (2) effects of Price Ceiling? [4 marks]

(Total: 20 marks)

#### QUESTION 4

(a) Explain the term *Cost-Push Inflation*. [4 marks]

(b) Clearly differentiate between *Galloping inflation* and *Hyperinflation*. [4 marks]

(c) From the perspective of the Lender, explain how Inflation affects bank loans. [4 marks]

(d) Describe *four* (4) major types of Unemployment. [8 marks]

(Total: 20 marks)

#### QUESTION 5

(a) Define the term *Specialisation* as applied in Economics. [4 marks]

(b) Explain how Specialisation can be influenced by the *extent of the market*. [4 marks]

(c) What is meant by *Balance of Payments* in the context of International Trade? [4 marks]

(d) Mention *two* (2) benefits of Tariffs in International Trade. [4 marks]

(e) Explain the term *Absolute Advantage* in the context of International Trade. [4 marks]

(Total: 20 marks)

#### QUESTION 6

(a) Identify *four* (4) sources of deposits for Commercial Banks. [4 marks]

(b) Managing Exchange Rate Risk effectively is essential for banks to preserve profitability and maintain financial stability in a dynamic Global Financial Environment. Mention four (4) ways by which Exchange Rates can influence the profitability of banks. [8 marks]

(c) A bank initially received a deposit of GHC15,000. Using the Money Multiplier Principle, determine the total amount of money that can be created from this initial deposit, assuming a reserve ratio of 5%. [4 marks]

(d) Mention *four* (4) major functions of Commercial Banks in your economy. [4 marks]

(Total: 20 marks)

### QUESTION 7

- (a) Money requires some characteristics to enable it function well in the Modern Economy. State any *two* (2) of such characteristics of money. [4 marks]
- (b) The Modern Economy is preferred to the Barter System mainly due to the Functions of Money. Explain any *four* (4) Functions of Money in a Modern Economy. [4 marks]
- (c) How does the Central Bank use *Reserve Ratio* to reduce Inflation? [4 marks]
- (d) Define the term *Money Supply*. [4 marks]
- (e) With examples, distinguish between *Nominal Interest Rates* and *Real Interest Rates*. [4 marks]
- (Total: 20 marks)**

### QUESTION 8

- (a) What is *Public Finance*? [4 marks]
- (b) Explain *four* (4) areas where governments allocate funds to meet their spending obligations and fulfil their functions. [8 marks]
- (c) Differentiate between *Fiscal Policy* and *Monetary Policy*. [4 marks]
- (d) What is the role of Taxation in controlling Inflation? [4 marks]
- (Total: 20 marks)**