Distinquish between Devaluatin of currrency and Depreciation of Currency

a) i) Devaluation of Currency refers to a deliberate downward adjustment in the value of a country's currency by its government or monetary authority whilst Depreciation of Currency refers to a gradual decrease in the value of a country's currency relative to other currencies in the market.

Distinquish between Current account and capital account

ii) Current Account records a nation's trade in goods and services, income from abroad, and unilateral transfers (like remittances and foreign aid). A surplus balance indicates the country is exporting more than it imports, while a deficit means the opposite.On the other hand, Capital Account tracks the flow of financial assets between a country and the rest of the world, including loans, investments, and foreign direct investments (FDI). A surplus in the capital account shows more investment is coming into the country than leaving, while a deficit indicates the reverse.

B) Explain for ways by which a balance of payment deficitcan be finace in the short term...

Firstly, Borrowing from International Institutions :

- Countries can borrow funds from international organizations like the International Monetary Fund (IMF) or World Bank. These institutions offer loans to help nations address short-term financial imbalances and stabilize their economies.

Also, Using Foreign Exchange Reserves

- Countries often maintain foreign exchange reserves, which can be drawn upon to finance a balance of payment deficit. By selling foreign currency and buying their own, countries can temporarily offset the effects of a deficit.

Again, Short-term Borrowing from Foreign Countries - A country may seek short-term loans from foreign governments or private financial institutions to cover immediate deficits. These loans help bridge the gap until more sustainable measures are in place.

In a nutshell, Currency Devaluation

- Devaluing the currency makes exports cheaper and imports more expensive, which can boost exports and reduce the trade deficit. While this is a longer-term strategy, it can help finance deficits in the short run by improving the current account balance.

Define the following concepts

i) National income refers to the monetary value of all goods and services produced by a country in a specific period, typically a year. It can be measured using the expenditure approach, the output approach, or the income approach.

ii) Transfer payments are one-way payments made by the government or other institutions to individuals without any exchange of goods or services. They include welfare benefits, pensions, and subsidies.

B.

Classify the following into transfer payment and non transfer payment

1. A donation to an orphanage – Transfer Payment
2. Unemployment benefit – Transfer Payment
3. A doctor's salary – Non-Transfer Payment
4. A scholarship grant – Transfer Payment
5. Payment for laundry services – Non-Transfer Payment
6. Money given to a grandfather as a gift – Transfer Payment
7. Payment to a road contractor – Non-Transfer Payment
8. Allowance to members of parliament– Non-Transfer Payment

C.

State Difficulties encounted in calculating the national income

One - Informal and Unreported Activities: Many economic activities in informal sectors or black markets are unreported, making it difficult to account for them.

Two, Double Counting: There is a risk of counting the same output multiple times if intermediate goods are not distinguished from final goods.

Three, Non-Market Transactions: Activities like household work and volunteer services do not have market values, yet they contribute to economic well-being.

Fourth, valuation of Public Goods: It can be challenging to assign a monetary value to public services like defense, healthcare, and education, which are not sold in the market.

Five, Price Changes (Inflation or Deflation): Fluctuations in prices over time make it hard to measure national income consistently across periods.

Solutions

Define Utility.

a) Utility refers to the satisfaction a consumer derives from consuming a good or service.

b).

Explain the following

i) Total Utility (TU) - This is the overall satisfaction or benefit that a consumer gains from consuming a certain quantity of a good or service. It is the sum of all the utility gained from each unit consumed.

ii) Marginal Utility (MU) - This is the additional satisfaction or benefit gained from consuming one more unit of a good or service.

c)

State the condition for consumer equilibrium when ...

i) When a single commodity is consumed - A consumer achieves equilibrium when the marginal utility of the commodity equals the price paid for it. Mathematically, it is expressed as: MU = P

Where MU is marginal utility and P is the price of the commodity.

ii) When two commodities are consumed - A consumer reaches equilibrium when the ratio of the marginal utility to the price of each commodity is equal.

Define equilibrium price.

a) Equilibrium Price - This is the price at which the quantity of a good demanded by consumers equals the quantity supplied by producers. At this price, there is no excess supply or excess demand, and the market clears itself.

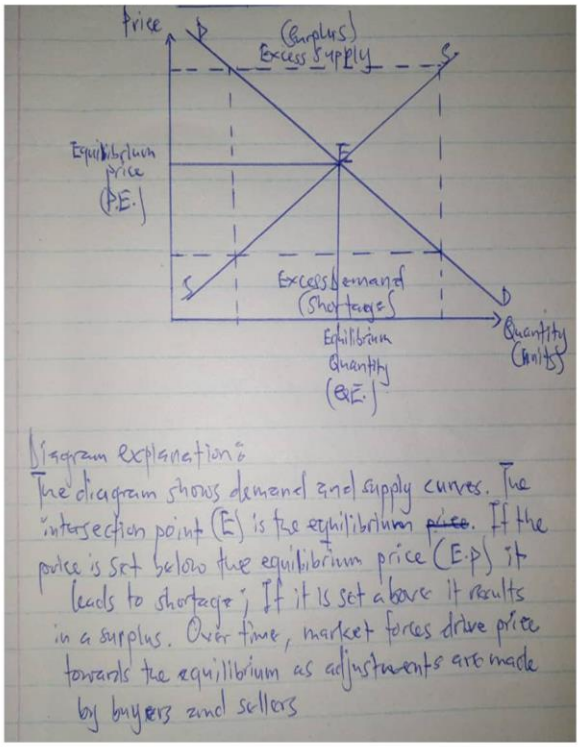
b)

Explain three effects of fixing minimum wage in the country...

1. Unemployment - If the minimum wage is set above the equilibrium wage rate, employers may reduce the number of workers they hire due to higher labor costs, leading to unemployment.
2. Increased Income for Workers - For those who remain employed, minimum wage laws can increase their income, improving their standard of living.
3. Increased Production Costs - Businesses may face higher production costs due to the wage hike, which can lead to higher prices for goods and services, potentially causing inflation

With the aid of a diagram show how market adjust...

c) Market Adjustment to Equilibrium - If the price is fixed below equilibrium - This creates a situation of excess demand or shortage, as consumers want to buy more at the lower price, but producers are not willing to supply as much. If the price is fixed above equilibrium - This results in excess supply or surplus, as producers supply more than consumers



Define Share of a comapany

a) Share - A share represents an equity ownership of a company. It gives the shareholder a claim on part of the company's assets and profits.

Distinguish between consumer cooperative and producer coperative

b) Consumer Co-operatives - These are organizations owned and operated by consumers to fulfill their needs and provide products or services at affordable prices. They focus on buying goods in bulk and distributing them to members at lower prices. On the other hand, Producer Co-operatives are owned and operated by producers, typically farmers who pool their resources to produce goods collectively and market them efficiently.

c)

Define the following features of a state enterprises

i) Source of Finance - State enterprises are usually funded by the government through public revenue, including taxes and government loans.

ii) Ownership - State enterprises are owned and controlled by the government, representing the public.

iii) Control - These enterprises are managed by government-appointed officials and operate under government regulations and policies.

iv) Aim of Establishment - The primary aim of state enterprises is often to provide public goods or services, promote economic development, and ensure equitable distribution of resources rather than maximizing profits.