

45. The cost structure of a firm is as follows:

Output (in units)	1	2	3	4	5	6
Variable cost (in francs)	2000	3600	5000	7000	10000	18000

Given that the fixed costs of this firm is 5,000 francs, calculate the average cost of the 5<sup>th</sup> unit of output

- A 2,000 francs
- B 2,500 francs
- C 3,000 francs
- D 10,000 francs

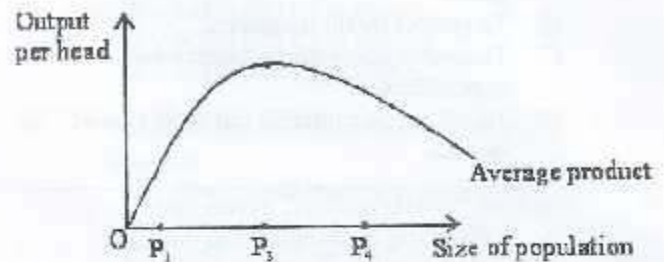
46. The formula  $\frac{\% \Delta QD \text{ of Good A}}{\% \Delta P \text{ of Good B}}$  measures:

- A Cross elasticity of demand
- B Price elasticity of demand
- C Income elasticity of demand
- D Price elasticity of supply

47. An increase in a country's tariffs will:

- A increase imports
- B increase exports
- C decrease imports
- D decrease exports

48. Study the diagram that illustrates the relationship between population and output.



Which of the points above demonstrate optimum population?

- A P<sub>1</sub>
- B P<sub>2</sub>
- C P<sub>3</sub>
- D P<sub>4</sub>

49. One main reason why the government of Cameroon influences the location of industries is to:

- A Discourage rural – urban migration
- B Encourage mobility of labour
- C Enable entrepreneurs to make huge profits
- D Raise revenue

50. One measure the government will employ to reduce inflation in an economy is to implement:

- A An expansionary monetary policy
- B A contractionary monetary policy
- C A budget deficit
- D A minimum price control

STOP

NOW GO BACK AND CHECK YOUR WORK

# CAMEROON GENERAL CERTIFICATE OF EDUCATION BOARD

## General Certificate of Education Examination

### 525 ECONOMICS 1

JUNE 2014

ORDINARY LEVEL

Centre No. & Name	<i>Unused</i>
Candidate No.	
Candidate Name	

### 525 ECONOMICS 1: MULTIPLE CHOICE QUESTION PAPER

1 Hour 30 Minutes

#### INSTRUCTIONS TO CANDIDATES

*Read the following instructions carefully before you start answering the questions in this paper. Make sure you have a soft HB pencil and an eraser for this examination.*

1. USE A SOFT HB PENCIL THROUGHOUT THE EXAMINATION.
2. DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

*Before the examination begins:*

3. Check that this question booklet is headed "Ordinary Level – 525 Economics 1"
4. Insert the information required in the spaces above.
5. Insert the information required in the spaces provided on the answer sheet using your HB pencil:  
**Candidate Name, Exam Session, Subject code, Centre Number and Candidate Number.** Take care that you do not erase or fold the answer sheet or make any marks on it other than those asked for in these instructions.

*How to answer the questions in this examination*

6. Answer **ALL** the 50 questions in this Examination. All questions carry equal marks.
7. Calculators are allowed.
8. Each question has **FOUR** suggested answers: **A, B, C** and **D**. Decide on which answer is correct. Find the number of the question on the Answer Sheet and draw a horizontal line across the letter to join the square brackets for the answer you have chosen.

For example, if C is your correct answer, mark C as shown below:

[A] [B] ☒ [C] [D]

9. Mark only one answer for each question. If you mark more than one answer, you will score a zero for that question. If you change your mind about an answer, erase the first mark carefully, then mark your new answer.
10. Avoid spending too much time on any one question. If you find a question difficult, move on to the next question. You can come back to this question later.
11. Do all rough work in this booklet, using, where necessary, the blank spaces in the question booklet.
12. Mobile phones are **NOT** allowed in the examination room.
13. **You must not take this booklet out of the examination room. All question booklets and answer sheets will be collected at the end of the examination.**

Turn Over

1. Which of the following factor is an example of "positive checks" in the Malthusian Theory of population?
  - A Late marriage
  - B Floods
  - C Abstinence
  - D Moral Restraint

---

2. A method of measuring National Income by considering the rewards of factors of production is known as:
  - A Value Added Approach
  - B Income Approach
  - C Expenditure Approach
  - D Output Approach

---

3. A firm that is capable of diversifying its production is said to be enjoying:
  - A Financial economies of scale
  - B Welfare economies of scale
  - C Technical economies of scale
  - D Risk bearing economies of scale

---

4. If income increases from 20,000 FCFA to 40,000 FCFA and quantity demanded increased from 80 units to 120 units. Calculate the income elasticity of demand
  - A 0.5
  - B 1.5
  - C 2.5
  - D 3.0

---

5. A country with a persistent Balance of payments deficit will employ one of the following measures. Choose the most appropriate measure:
  - A Revaluation
  - B Borrowing
  - C Devaluation
  - D Import restrictions

---

6. In order to increase the supply of money in circulation in an economy, the central Bank has to:
  - A Reduce the cash ratio
  - B Sell securities in the open market
  - C Call on special deposits
  - D Convert short term bonds to funded bonds

---

7. A business organization which is guided by self help and democratic principles is known as:
  - A Public corporation
  - B Parastatals
  - C Local authorities
  - D Cooperative Societies

---

8. Disposable income is derived as follows:
  - A Household Income minus taxes
  - B Savings plus investment
  - C National Income plus transfer payments
  - D Saving minus Investment

---

9. When much of what is produced from agriculture is meant for household consumption, it is called:
  - A Plantation Agriculture
  - B Commercial farming
  - C Peasant Agriculture
  - D Small holder schemes

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10. Study the following pairs of examples of factors of production and state which pair an appropriate description is of specific factor of production.
  - (i) Raw materials and Teachers
  - (ii) Telephone and Computer
  - (iii) Pilots and Accountants
  - (iv) Medical doctors and night watchmen
  - A (i) and (ii)
  - B (ii) and (iii)
  - C (iii) and (iv)
  - D (i) and (iv)

---

11. In which of the following categories of government expenditure will you situate salaries paid to public servants?
  - A Prime expenditure
  - B Capital expenditure
  - C Supplementary expenditure
  - D Recurrent expenditure

---

12. Which of these countries make up the CEMAC Zone?
  - (i) Cameroon, Benin and Togo
  - (ii) Ghana, Nigeria and Cameroon
  - (iii) Gabon, Congo and Central Africa Republic
  - (iv) Equatorial Guinea, Chad and Cameroon
  - A (i) and (ii)
  - B (ii) and (iii)
  - C (iii) and (iv)
  - D (iv) and (iii)

---

13. The most profitable function of a Commercial Bank is:
  - A Accepting huge deposits from customers
  - B Granting loans and overdrafts to customers
  - C Acting as agent of payments
  - D Keeping safely wills and valuables of customers.

14. Use the table below and answer the question that follows.

Description	Amount in Million FCFA
Visible Exports	900
Visible Imports	600
Invisible Exports	350
Invisible Imports	800

What is the value of the Balance of Trade?

- A -150 million FCFA  
 B -450 million FCFA  
 C 350 million FCFA  
 D 300 million FCFA
15. An Active balance is money held for:  
 A Transactions motive only  
 B Transactions and Precautionary motives only  
 C Transaction and speculative motives only  
 D Precautionary and speculative motives only
16. This question is based on the cost of producing chairs in a carpentry workshop.

Output (Number of chairs)	Total Cost (in FCFA)
0	10,000
2	15,000
4	30,000
6	45,000

The fixed cost of the 4th chair is:

- A 30,000 FCFA  
 B 20,000 FCFA  
 C 10,000 FCFA  
 D 7,500 FCFA
17. Which of the following factors is a characteristic of developed countries?  
 A Low dependency ratio  
 B Low per capital income  
 C Low life expectancy  
 D Low standards of living
18. Economists often find it difficult to give perfect forecast or prediction like the pure scientists because:  
 A Human behavior can be easily measured  
 B Economic conditions are always static  
 C Human behavior can be controlled  
 D Human behaviour cannot be easily measured

19. Study the table which shows the National Income figures and population statistics for 4 countries: W, X, Y, and Z

Country	Population (in millions)	National Income (in million FCFA)
W	35	700
X	20	500
Y	50	300
Z	16	240

Which of the above countries would you consider underdeveloped?

- A Country Z  
 B Country Y  
 C Country X  
 D Country W
20. Reluctance of an industry to move to another location although its original locational factors have disappeared is described as:  
 A Footloose industry  
 B Weight gaining industry  
 C Weight losing industry  
 D Industrial inertia
21. Study this demand and supply schedules for Garri in a local market and answer the question below.

Price per cup (in fcfa)	Demand (000 cups)	Supply (000 cups)
50	100	400
40	120	300
30	150	150
20	170	120
10	190	80

At the price of 10FCFA, what will be excess demand for garri?

- A 110 FCFA  
 B 110,000 FCFA  
 C 110 cups  
 D 110,000 cups
22. Mineral deposit is an appropriate example of which factor of production?  
 A Land  
 B Labour  
 C Capital  
 D Entrepreneur

23. Which pairs of good can be described as having a competitive demand?  
 A Wool and mutton  
 B Torch and Battery  
 C Flour and Bread  
 D Butter and Margarine
- 
24. When internal economies of scale occur:  
 A Total costs will fall  
 B Total Revenue will fall  
 C Average cost will fall  
 D Profit margin will fall
- 
25. A situation where a prospective taxpayer escapes from paying a tax is described as:  
 A Tax avoidance  
 B Tax evasion  
 C Tax exemption  
 D Tax holiday
- 
26. Assume that the population of country X is 4 million inhabitants, with 80,000 new births and the death rate is 15 per thousand. Calculate the natural growth rate.  
 A 20%  
 B 15%  
 C 5%  
 D 0.5%
- 
27. Which of the following is an appropriate definition of Dumping as used in International Trade.  
 A Selling at a price equal to the selling price in the home market  
 B Selling at a price equal to the cost price in the home market  
 C Selling at a price lower than that in the home market  
 D Selling at a price higher than that in the home market
- 
28. A company's capital structure is as follows:  
 10% Debentures of 5,000,000 CFA Francs  
 5% Preference share of 30,000,000 CFA Francs  
 Ordinary shares of 15,000,000 CFA Francs  
 If the company declared a profit of 20,000,000 CFA Francs in a business year, how much will the debenture holders receive?  
 A 500,000 CFA Francs  
 B 2,000,000 CFA Francs  
 C 5,000,000 CFA Francs  
 D 12,500,000 CFA Francs
- 
29. A businessman with a nominal capital of 10 million CFA francs makes a profit of 2 million CFA Francs and pays a corporation tax of 10 percent. What is his tax base?  
 A 200,000 CFA Francs  
 B 1,000,000 CFA Francs  
 C 1,200,000 CFA Francs  
 D 2,000,000 CFA Francs
- 
30. Economic goods are similar to free goods because:  
 A Both goods have opportunity cost  
 B Both goods yield satisfaction to consumers  
 C Both goods are unlimited in supply relative to demand  
 D Both goods are limited in supply relative to demand
- 
31. Assume that the index of export prices is 150 while the index of import prices 125 for country A in 2010. Calculate The terms of trade.  
 A 83.3  
 B 83.3%  
 C 120  
 D 120%
- 
32. A market where medium and long term loans are made available for investment is known as:  
 A Money market  
 B Capital market  
 C Stock exchange market  
 D Futures market
- 
33. What relationship exist between farmland and grazing land in a local community?  
 A Joint supply  
 B Joint demand  
 C Competitive supply  
 D Competitive demand
- 
34. The following items relate to National Income of country A: Gross National income = 100, Investment = 60, Consumption = 40 and Depreciation = 10. Figures are in billion CFA Francs. What is the size of Net National Income for country A?  
 A 210 billion CFA Francs  
 B 200 billion CFA Francs  
 C 110 billion CFA Francs  
 D 90 billion CFA Francs
- 
35. The price of a currency in terms of another is described as:  
 A Equilibrium price  
 B Exchange rate  
 C Interest rate  
 D Terms of Trade
-

36. One main reason why every employed citizen in a country is obliged to pay tax is:

A To avoid the consumption of harmful goods.  
 B To protect infant industries.  
 C To enable government finance her expenditure.  
 D To ensure an equitable redistribution of income.

37. The term "ceteris paribus" means that:

A Everything is changing and only one remains constant.  
 B Only one factor is changing while others remain constant.  
 C Everything is changing at the same time.  
 D Nothing at all is changing.

38. Who among the following will stand to benefit during an inflationary period?

A Debtors.  
 B Creditors.  
 C Savers.  
 D Fixed income earners.

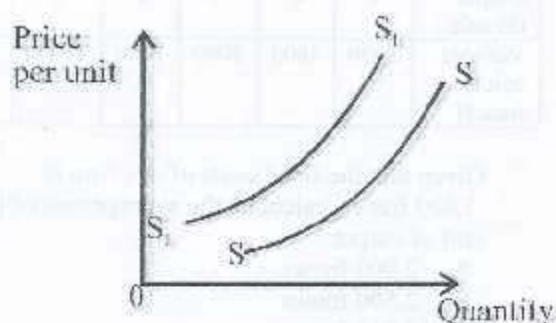
39. A dominant factor responsible for the location of most tertiary firms in Cameroon is:

A Supply of electricity.  
 B Government policy.  
 C Nearness to market.  
 D Availability of labour.

40. Three employees in a company earn 150,000 CFAF, 200,000 CFAF and 300,000 CFAF respectively. Assume that each pays 30,000 CFAF of income as tax. What is the tax system used?

A Equity tax system.  
 B Regressive tax system.  
 C Proportional tax system.  
 D Progressive tax system.

41. This question is based on the diagram below.



Which of the following factor is responsible for a shift of the supply curve from  $S$  to  $S_1$  in the diagram above?

A Increase in population.  
 B Increase in disposable income.  
 C Increase in costs of production.  
 D Increase in prices of other goods.

42. This question is based on the utility table below:

Oranges	Total Utility	Marginal Utility
1	10	10
2	X	8
3	23	Z
4	25	2
5	Y	0

What is the value of Z?

A 18.  
 B 10.  
 C 6.  
 D 5.

43. A market structure in which there is a single buyer of a good is known as:

A Monopoly.  
 B Monopsony.  
 C Oligopoly.  
 D Oligopsony.

44. Calculate the price elasticity of supply if a 15% rise in price causes the quantity supplied to increase by 30%.

A 0.5  
 B 1  
 C 1.5  
 D 2