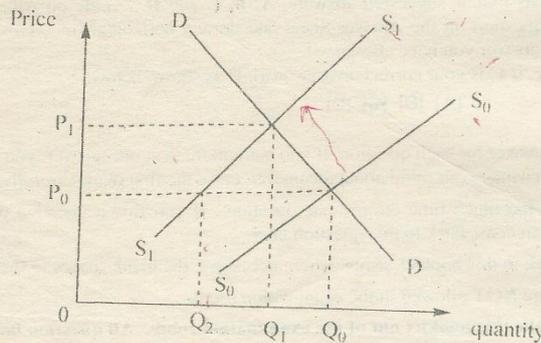
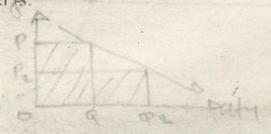


1. Whenever the factors of production are combined to produce any given commodity, the cost to society is reckoned in terms of the alternative goods which those factors could have produced. This statement seeks to explain the concept of
- A Comparative cost
  - B Factor cost
  - C Real cost
  - D Average cost
2. In a pure command economy, the decision on what to produce
- A Is influenced by the Price Mechanism
  - B Responds to directives
  - C is influenced by households
  - D Reflects the preferences of firms
3. Which of the following groups has the least claim on the assets of a company in the event that the company winds up?
- A Holders of ordinary shares
  - B Holders of debentures
  - C Holders of Participation Preference Shares
  - D Holders of cumulative Preference Shares
4. The concept of optimum population refers to the size of population that
- A Can maximise marginal product
  - B Can maximise total output
  - C Can maximise average output
  - D Can achieve self-sufficiency
5. A firm becomes most efficient when its:
- A Average output equals its marginal output
  - B Average output is rising at an increasing rate
  - C Marginal output is maximised
  - D Total output is maximised
6. A chocolate manufacturer in Douala takes over a cocoa farm in Kumba. Which of the following best describes this take-over?
- A Backward vertical integration
  - B Diversification
  - C Forward vertical integration
  - D Horizontal integration

Questions 7 and 8 are based on the following diagram showing the demand for and supply of a certain commodity in a competitive market.



7. What is the most likely reason for a shift of the supply curve from  $S_0S_0$  to  $S_1S_1$ ?
- A The granting of a subsidy to the producers
  - B An increase in the price of the good
  - C A fall in taste for the product
  - D The imposition of an expenditure tax on the product
8. If the government prevents a rise in price even after the supply curve moves from  $S_0S_0$  to  $S_1S_1$ , there would be
- A excess supply shown by the distance  $Q_1 - Q_0$
  - B excess supply shown by the distance  $Q_2 - Q_1$
  - C excess demand shown by the distance  $Q_2 - Q_0$
  - D excess demand shown by the distance  $Q_1 - Q_0$
9. Total revenue increases when demand is:
- A Elastic and price rises
  - B Elastic and price falls
  - C unit elastic and price rise
  - D Inelastic and price falls



Questions 10 and 11 are based on the information below which shows a production possibility schedule.

Points earned in Economics Exams	Sleep (hours per night)
0	12
100	9
150	6
200	3
250	0

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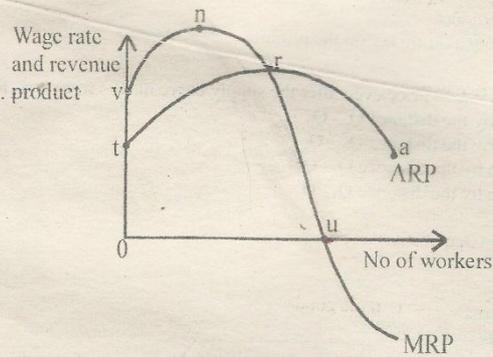
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10. The opportunity cost of increasing economics points from 100 to 150 is:
- A 12 hours of sleep per night
  - B 9 hours of sleep per night
  - C 6 hours of sleep per night
  - D 3 hours of sleep per night
11. The production possibility curve that would correspond to this production possibility schedule would be
- A Concave to the origin
  - B Convex to the origin
  - C Convex from the origin
  - D Straight line
12. Suppose the large firm of a duopoly has sales of 300 million francs and the small firm has sales of 200 million francs. What is the market share of the larger firm?
- A 30%
  - B 60%
  - C 20%
  - D 40%

$$\frac{300}{500} \times 100 = 60\%$$

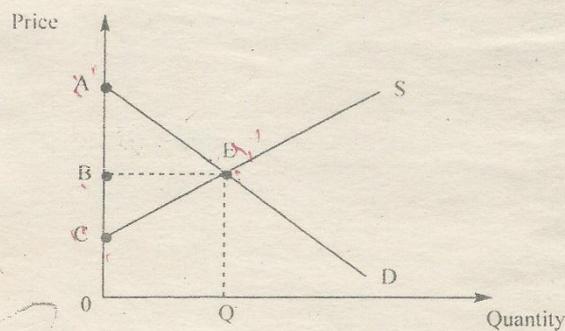
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Question 13 is based on the following diagram



13. Which section of the curves represents the demand curve for labour?
- A Vn
  - B Tr
  - C Ru
  - D Nu
- 
14. Double counting in the calculation of the Gross National Product can be avoided by:
- A Adding up the outputs of all firms in the economy
  - B Summing up the final outputs in the economy
  - C Subtracting residual errors
  - D Subtracting transfer payments
- 
15. The Black economy includes
- A All trade in drugs
  - B All net exports
  - C All unreported income
  - D All intermediate goods

Questions 16 and 17 are based on the following diagram showing the demand and supply curves for a certain commodity.



16. From the graph above, the consumer's surplus is represented by the area:
- A ABE
  - B BCE
  - C ACE
  - D COQE

17. The community surplus is represented by the area
- A ABE
  - B BCE
  - C ACE
  - D COQE

18. The price elasticity of demand can be influenced by:
- A The size of the population
  - B Indirect taxes and subsidies
  - C The proportion of income spent on the good
  - D Taste and fashion

19. If the demand for an agricultural product is more elastic than its supply, this will give rise to a cobweb known as:
- A Divergent cobweb
  - B Convergent cobweb
  - C Exploding cobweb
  - D Constant cobweb

20. One would expect a firm to close down rather than continue producing in the short-run if:
- A Total revenue were more than total variable costs
  - B Variable costs were to fall below fixed costs
  - C Total revenue were less than total costs
  - D Total revenue were less than total variable costs

Question 21 is based on the table below which shows the population structure of country X.

Population Structure	% of each age group
65 years and above	8
18 years to 64 years	80
Less than 18 years	12

21. If the working age for country X was between 18 and 64 years, what is the dependency ratio in this country?
- A 80%
  - B 20%
  - C 22%
  - D 25%
- DR =  $\frac{12+8}{80} \times 100 = 25\%$*

22. As income increases, the Average Propensity to consume (APC)
- A Rises and then falls
  - B Falls and then rises
  - C Rises continuously
  - D Falls continuously

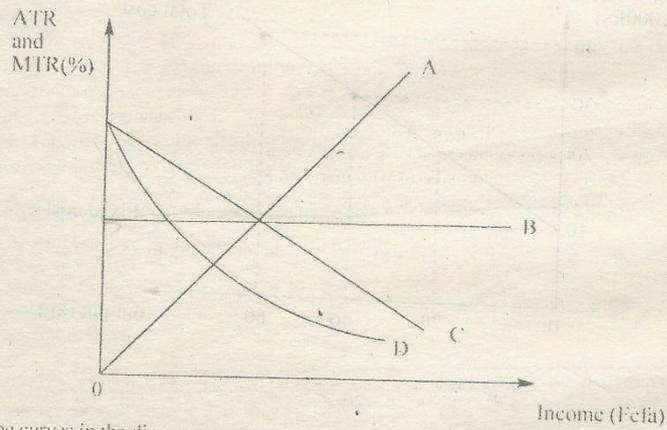
23. The quantity theory of money is represented by the expression  $MV = PT$ . If V and T are held constant, an increase in M will result in:
- A An increase in price
  - B A fall in price
  - C A proportionate change in price
  - D No change in price

Turn over

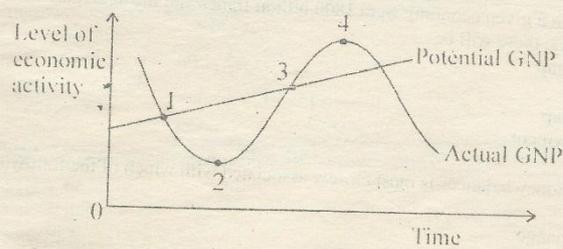
24. "As incomes increase, the tax rate increases". This definition applies to a
- A Regressive tax
  - B Proportional tax
  - C Progressive tax
  - D Flat rate tax
25. The principle of taxation that says people with equal incomes should pay equal taxes is called:
- A Horizontal equity
  - B Vertical equity
  - C Perfect equity
  - D Parallel equity
26. Marginal cost pricing requires that the regulated firm:
- A Charges a price associated with marginal cost
  - B Produces at the output that equates marginal cost with average cost
  - C Produces the output that equates marginal cost with marginal revenue
  - D Produces the output that equates marginal cost with average revenue
27. Which of the following equations will apply to a firm operating under monopoly in the long-run?
- A  $MC = MR < AC = AR$
  - B  $MC = MR < AR = AC$
  - C  $MR = MC < AC < AR$
  - D  $MC = MR < AR = AC$
28. Mr. Ebot is currently earning 200,000 FRS a month as a professional footballer. Had he continued to sell in his father's shop, he could have been earning 52,000 FRS a month; if he had not succeeded in his football career, he would have gone to work in a bank earning 70,000 FRS a month.
- Calculate his economic rent.
- A 148,000 FRS
  - B 122,000 FRS
  - C 130,000 FRS
  - D 70,000 FRS
29. During which of the following periods would the nominal rate of interest be the highest?
- A Inflation
  - B Recession
  - C Depression
  - D High unemployment
30. The consumption function is often expressed as follows:  $C = a + b Y_d$ , a in the function represents
- A Private consumption
  - B Autonomous consumption
  - C Induced consumption
  - D Consumption of domestic output
31. Why is diamond more expensive than water?
- A Because diamond is a luxury and water is a necessity
  - B The marginal utility of diamond is higher than the marginal utility of water
  - C The total utility of diamond is higher than the total utility of water
  - D Diamond has a higher value in exchange than water

32. By national debt we mean:
- A The amount borrowed by the public sector to meet expenditure when its revenue is insufficient
  - B The sum total of all past debt accumulated by the central government
  - C The total borrowing of the government outside the country
  - D The amount of revenue owed to the government

Question 33 is based on the following diagram showing different types of taxes:



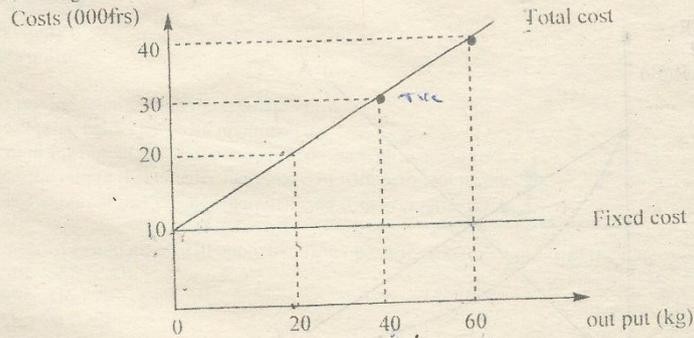
33. Which of the curves in the diagram represents a proportional tax system?
- A
  - B
  - C
  - D
34. If the value of Cameroon's export exceeds the value of her imports, how are funds likely to flow between Cameroon and her trading partners?
- A From Cameroon financial markets to the IMF
  - B From Cameroon to foreign financial markets
  - C From foreign financial markets to Cameroon's financial markets
  - D From the World Bank to Cameroon's financial markets.
35. This question is based on the following diagram showing the various phases of a Trade Cycle.



How would you describe the situation in the economy at point 3?

- A Depression
- B Boom
- C Recession
- D Recovery

36. Questions 36 and 37 are based on the following diagram.  
What is the Average Variable Cost of producing 40kgs?



- A 500 FRS
  - B 750 FRS
  - C 250 FRS
  - D 20.000 FRS
- 20000 / 40 = 500*

37. What is the Total fixed cost at 60kgs of output?

- A 10 FRS
- B 10 000 FRS
- C 30 FRS
- D 30 000 FRS

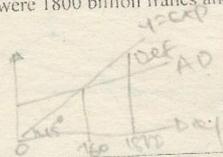
38. In a 2-sector economy the Marginal propensity to save (MPS) is constant at 0.25. If investment rises by 100 million francs, by how much will National Income increase?

- A 75 million francs
- B 25 million francs
- C 200 million francs
- D 400 million francs

*$\Delta Y = K \Delta I$   
 $\Delta = \frac{1}{0.25} (100) = 400$*

39. If the potential output in a given economy were 1800 billion francs and the aggregate demand at that level were 1650 billion francs, there will be

- A An inflationary gap
- B Dissaving
- C A deflationary gap
- D Over-full employment



40. The demand for idle money balances is most closely associated with which of the following functions of money?

- A Medium of exchange
- B Store of value
- C Standard for deferred payment
- D Measure of value

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*of 78*

*of 5506*

41. Which of the following can be considered as near money?  
 A Credit Card  
 B Demand Deposit  
 C Cheques  
 D Time Deposit
42. Suppose a banking system has 8 billion francs in deposits and a required liquidity ratio of 10%; what is the value of the credit multiplier?  
 A 0.8  
 B 10  
 C 1.25  
 D 18
43. Which of the following is the main short-run opportunity cost of economic growth?  
 A A reduction in capital goods  
 B A reduction in consumer goods  
 C A reduction in non-renewable resources  
 D A reduction in government's ability to alleviate poverty.
44. Unemployment caused by the general low level of aggregate demand is called  
 A Cyclical Unemployment (caused by aggregate demand)  
 B Regional Unemployment (to cater for unemployment from a declining industry)  
 C Structural Unemployment (Permanent shift in demand for goods & services due to tech. changes)  
 D Frictional Unemployment (People entering or re-entering job market)
45. The adverse movement in Terms of Trade means  
 A The volume of exports has fallen relative to the value of imports  
 B The total value of exports has risen relative to the total value of imports  
 C The Balance of Trade has changed from a surplus to a deficit  
 D The average price of exports has fallen relative to the average price of imports
46. When a currency is over-valued it means that  
 A It will buy more in foreign countries than it would buy at home  
 B It will buy less in foreign countries than it would buy at home  
 C Its purchasing power in the foreign market is the same as in the home market  
 D Its value in the foreign market cannot be determined
47. A tax will provide some automatic stabilizing effect for an economy if it  
 A Increases as income decreases  
 B Decreases as income decreases  
 C Decreases as income increases  
 D Remains constant as income rises
48. What is the major effect of inflation in an economy?  
 A Improved Balance of Payments  
 B A decline in the standards of living of people with fixed incomes  
 C An increase in the real income of members of a weak union  
 D A decline in the real income of members of a strong union
49. The natural rate of unemployment is  
 A Unemployment rate associated with money illusion  
 B The minimum unemployment rate for an economy  
 C The rate which will prevail in an economy with a constant rate of inflation  
 D Associated with disequilibrium unemployment

Turn over

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A country's national income account contains the following figures in billions of francs cfa.

Property income from abroad	50
Property income paid abroad	45
Gross National Product at market prices	500
Depreciation	40
Indirect taxes	75
Subsidies	10

From the data above, what is the value of National income?

- A 395 billion FRS CFA
- B 400 billion FRS CFA
- C 390 billion FRS CFA
- D 460 billion FRS CFA

$NI = GNP - Dep$

