

CAMEROON GENERAL CERTIFICATE OF EDUCATION BOARD

General Certificate of Education Examination

525'ECONOMICS 1

JUNE 2015

ORDINARY LEVEL

Centre Number	
Centre Name	
Candidate Number	
Candidate Name	

Mobile phones are NOT allowed in the examination room.

MULTIPLE CHOICE QUESTION PAPER

One and a half hours

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. Fill the information required in the spaces above.
5. Fill the information required in the spaces provided on the answer sheet using your HB pencil:

Candidate Number and Name, Centre Number and Name.

Take care that you do not crease 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. 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]

8. 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.

9. 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.

10. Do all rough work in this booklet, using, where necessary, the blank spaces in the question booklet.

11. At the end of the examination, the invigilator shall collect the answer sheet first and then the question booklet after. DO NOT ATTEMPT TO LEAVE THE EXAMINATION HALL WITH IT.

Turn Over

1. A persistent Balance of Payments Surplus can be corrected through:
 - A Selling a country's gold reserves
 - B Devaluation
 - ~~C Revaluation~~
 - D Borrowing from friendly countries
 2. Which of the following is an indicator of economic growth?
 - A High mobility of factors of production
 - B Overpopulation
 - C High Birth rate
 - D High per capita income
 3. Full employment can best be defined as a situation in which:
 - A All men and women of working age are employed
 - ~~B All those who are willing and able to work can find jobs.~~
 - C Only the disabled are not employed
 - D All adults are effectively working
 4. When the general price level falls in an economy, the economist says that:
 - ~~A The value of money rises~~
 - B The value of money falls
 - C The value of money remains stable
 - D The real value of money remains stable
 5. The sales manager of Guinness Company realized that the demand for their most popular drink is elastic. To increase total revenue for Guinness Company, he will:
 - A Increase the price of the drink
 - B Hold the price constant
 - C Decrease the price of the drink
 - ~~D Decrease the supply of the drink~~
 6. Which of the following represent an injection into the circular flow of income?
 - A Savings
 - ~~B Investments~~
 - C Taxes
 - D Imports
 7. Industrial inertia refers to a situation:
 - A Where firms are concentrated in one area
 - B Where firms are operating at large scale
 - C Where initial reasons for location have been attained
 - D Where initial reasons for location have disappeared
 8. A farmer incurred the following costs in order to produce vegetables.

Items	Amount(in FCFA)
Land	15,000
Wages	30,000
Seedlings	10,000
Fertilizers	12,000
Truck	25,000
- What is the value of the total fixed cost incurred by the farmer?
 - A 40,000 FCFA
 - B 52,000 FCFA
 - C 45,000 FCFA
 - ~~D 15,000 FCFA~~
 9. A country has a birth rate of 100 per thousand and death rate of 70 per thousand. The population growth rate of this country is:
 - A 30%
 - B -30%
 - C 3%
 - D -3%
 10. When the government spends more than she receives from taxes, it is called:
 - A Budget surplus
 - B Budget deficit
 - C Balanced Budget
 - D Budget disequilibrium
 11. In a public limited company, the greatest risk is borne by:
 - A Preference shareholders
 - B Debenture holders
 - C The Board of Directors
 - D Ordinary shareholders
 12. In which economic system can one find no freedom of choice and therefore loss of consumer's sovereignty?
 - A Free enterprise economy
 - B Command economy
 - C Mixed economy
 - D Traditional economy
 13. Flour can be used for baking of bread, cake, chin chin, etc. This is an example of;
 - A Composite demand
 - B Competitive
 - C Derived demand
 - D Complementary demand
 14. The imposition of high taxes on alcoholic drinks by the government to reduce the rate of alcoholism is known as:
 - A A direct government intervention policy
 - B A fiscal policy.
 - C A monetary policy
 - D A physical policy
 15. Which is the most common form of money in a developing country?:
 - A Currency
 - B Bank notes
 - C Coins
 - D Cheques

16. A given economy has the following National Income Statistics.

Items	Amount ('000 FCFA)
Consumption expenditure	5,000
Investment expenditure	2,000
Government spending	1,000
Net Property income from abroad	300
Indirect taxes	100
Subsidies	50
Depreciation	50

What is the GNP of this economy?

- A 8,300,000 CFAF
B 9,300,000 CFAF
C 8,000,000 CFAF
D 9,000,000 CFAF
17. When a tariff is imposed on a good imported:
A The demand for the good increases
B The demand for the good decreases
C The supply of the good increases
D The supply of the good decreases
18. Iron ore is an example of which factor of production?
A Capital
B Labour
C Land
D Entrepreneur

19. Which of the following is a preventive check proposed by Malthus to control population growth?
A Earthquakes
B Family planning
C Famine
D Occurrence of diseases

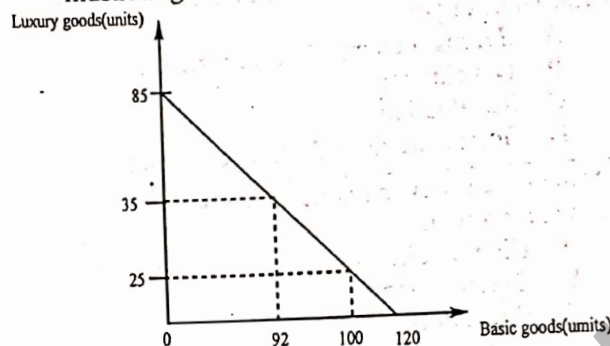
20. The debt of a certain country stands as follows:

Items	Amount(in FCFA)
National debt	10,000,000
External debt	6,500,000
Internal debt	3,500,000

What percentage of the debt constitutes a real burden to this country?

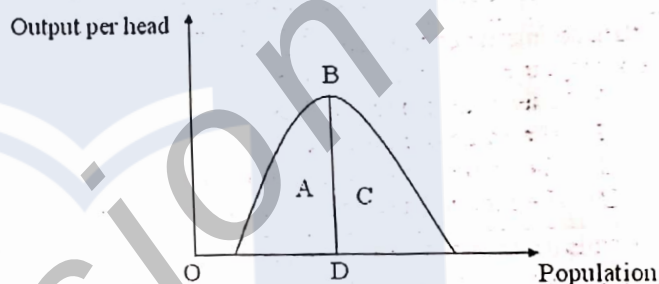
- A 65%
B 35%
C 65%
D 35%
21. Identify the business unit where investors' debts are limited to the extent of their shareholdings.
A Sole proprietorship
B Ordinary partnership
C Public Company
D Public enterprise

22. This question is based on the diagram illustrating the concept of opportunity cost.



What is the opportunity cost of increasing the output of luxury goods from 25 to 35 units?

- A 10 units of luxury goods
B 25 units of luxury goods
C 95 units of basic goods
D 8 units of basic goods
23. Study the diagram carefully and answer the question that follows:



From the diagram identify B.

- A Optimum population point
B Optimum population size
C Overpopulation point
D Overpopulation size

24. The main reason for a conglomerate is to:

- A Enjoy high output
B Diversify output
C Enjoy supernormal profits
D Enjoy normal profits

25. The practice of mono-cropping over a large piece of land is known as:

- A Subsistence farming
B Traditional farming
C Plantation farming
D Cooperative farming

26. One of the ways by which government can remedy cyclical unemployment is to:

- A Provide training centers
B Increase occupational mobility of labour
C Increase unemployment benefits
D Increase aggregate demand

27. Which trade barrier reduces the volume of import but yields no revenue to the government?

- A Tariffs
- B Quotas
- C Subsidies
- D Embargoes

28. A situation where payment is made and the goods are delivered on a later date is known as:

- A Hire purchase
- B Trade Credit
- C Credit sales
- D Future market

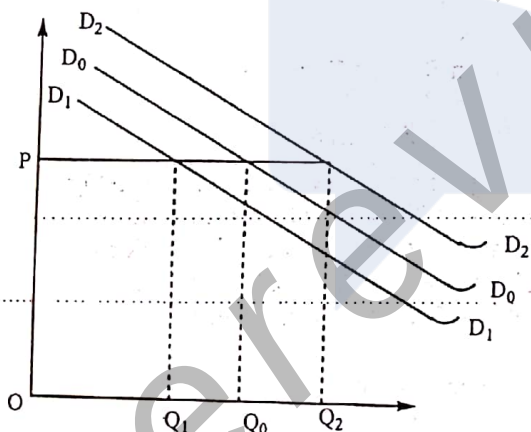
29. Which economic concept best describes a situation in which the value of money is persistently falling?

- A Deflation
- B Appreciation of currency
- C Inflation
- D Depreciation of currency

30. Which of the following is the formula for calculating per capita GDP?

- A Dividing real GDP by population
- B Dividing population by real GDP
- C Subtracting property income from GNP
- D Multiplying real GDP by population

31. Use this diagram to answer the question that follows:



From the diagram, the movement of the demand curve from D_0D_0 to D_2D_2 is:

- A An increase in quantity demanded
- B An increase in demand
- C A shift in demand
- D An extension in demand

32. Which one of the following is an argument for protectionism?

- A Increase cost of production
- B Encouragement of scientific research
- C The protection of strategic industries
- D Foreign exchange control

33. Which one of the following institutions controls the banking activities in Cameroon?

- A BICEC
- B CEMAC
- C Treasury
- D COBAC

34. Which of the following is a characteristic of wealth?

- A Portability
- B Transferability
- C Divisibility
- D Durability

35. The revenue collected by taxation officials should be greater than the cost of collection. This statement explains:

- A The principle of flexibility
- B The principle of certainty
- C The principle of economy
- D The principle of convenience

36. Everything being equal, the decision to consume more of one product will imply that:

- A Less of another product will be consumed
- B More of another product will be consumed
- C Enough resources are available to produce output
- D Less resources are available to produce output

37. What name is used to describe an industry that would prefer to locate near its source of raw materials?

- A Weight gaining industry
- B Footloose industry
- C Industrial inertia industry
- D Weight losing industry

38. The main hindrance to large scale farming in villages is:

- A Soil infertility
- B Land tenure systems
- C Traditional rulers
- D Rural exodus

39. A negative income elasticity of demand suggests that the good is:

- A A normal good
- B A veblen good
- C An inferior good
- D A good of snob appeal

40. A new HP computer in Japan costs 1,000 Euros. The exchange rate between Euros and CFA Francs is 1 Euro = 655CFAF. How much will a Cameroonian need in order to buy this computer?

- A 655,000 Euros
- B 655,000 FCFA
- C 6,550,000 Euros
- D 6,550,000 FCFA

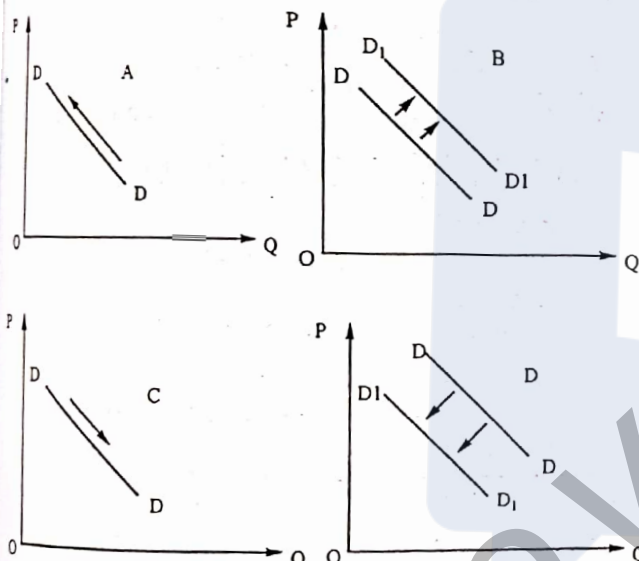
41. Which of the following instruments involve the buying from and selling of securities to the public?

- A Cash ratio
- B Open market operation
- C Funding
- D Moral suasion

42. Assume that the cash ratio of a single bank is 20% and its total deposit is 1,500,000 FCFA. Calculate how much the bank has to keep to meet up with her customers' demand?

- A 1,200,000 FCFA
- B 1,700,000 FCFA
- C 300,000 FCFA
- D 180,000 FCFA

43. Which one of the following diagrams represents a contraction of the demand curve?



- A DIAGRAM A
- B DIAGRAM B
- C DIAGRAM C
- D DIAGRAM D

44. The following table shows the cost structure of a firm:

Output (in units)	0	1	2	3	4
Total costs (in FCFA)	5,000	7,500	12,000	21,000	32,000

The marginal cost of producing the 3rd unit of output is:

- A 7,000 FCFA
- B 11,000 FCFA
- C 9,000 FCFA
- D 5,333 FCFA

45. All indirect taxes are regressive because:

- A Higher and lower income levels pay the same percentage of price in taxation
- B The poor pay a lesser amount than the rich
- C As income increases a higher proportion is paid
- D Higher income brackets pay smaller amounts as taxes

46. Study the nature of the set up of the authorized capital of a private company and answer the question that follows:

1,000 Ordinary shares at 5,000 FCFA each
1,000 Preference shares at 10,000 FCFA each
500 debentures at 25,000 FCFA each

What is the monetary value of debentures?

- A 5million FCFA
- B 12,5 million FCFA
- C 10 million FCFA
- D 25million FCFA

47. What is sunk capital?

- A Capital which can be used for any purpose
- B Capital used to satisfy any personal savings
- C Capital used to satisfy specific personal saving
- D Capital which has a specific purpose

48. Which financial institution is charged with the responsibility of issuing new bank notes and coins into circulation?

- A Treasury
- B Union Bank of Cameroon
- C Central Bank
- D Commercial Banks

49. In managing his restaurant, John made a weekly budget of 180,000 FCFA. Of this amount, he allocates 90,000 FCFA for bread for breakfast. If a loaf of bread costs 300 FCFA, how many loaves of bread will he buy per week.

- A 600 loaves
- B 300 loaves
- C 400 loaves
- D 500 loaves

50. Give another name for variable costs of production

- A Prime costs
- B Overhead costs
- C Sunk costs
- D Supplementary costs