CAMEROON GENERAL CERTIFICATE OF EDUCATION BOARD

General Certificate of Education Examination / Technical and Vocational Education Examination

0725 ECONOMICS 1

JUNE 2020   **ADVANCED LEVEL**

Centre No. & Name	GCE REVISION
Centre Name	
Candidate Identification No.	http://www.gcerevision.com
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 IIB 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 "Advanced Level – 0725 Economics 1"

4. Fill in the information required in the spaces above.

5. Fill in the information required in the spaces provided on the answer sheet using your HB pencil:
   Candidate Name, Exam Session, Subject Code, and Candidate Identification Number.
   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. Calculators are allowed.

8. Each question has FOUR suggested answers: **A, B, C** and **D**. Decide which answer is appropriate. 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 the blank spaces in the question booklet.

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

_____ Turn Over

4-/0725/1/C/MCQ
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1. Which of the following production possibility curves indicates increasing opportunity costs?
   - A Convex.
   - B Concave.
   - C Straight line.
   - D Non-Linear.

2. Which of the following is the main reason for carrying out economic activity in a subsistence economy?
   - A Peoples' needs.
   - B Peoples' preferences.
   - C Peoples' wants.
   - D Peoples' choices.

3. A necessary condition for a mixed economy is that there are:
   - A primary, secondary and tertiary sectors.
   - B formal and informal sectors .
   - C capital and consumer goods sectors.
   - D private and public sectors co-exist.

4. This question is based on the items below:
   i) Mineral deposits
   ii) Plantations
   iii) Lakes
   iv) Grinding mills
   From the above, land consists of:
   - A i and ii.
   - B ii and iii.
   - C i and iii.
   - D iii and iv.

5. For division of labour to be successfully implemented by a travel agency, the various related services need to be:
   - A efficient.
   - B effective.
   - C independent.
   - D interdependent.

6. This question is based on the following items
   i. Shares are quoted in the stock exchange market
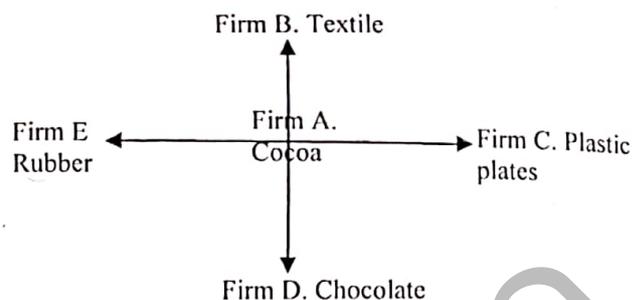   ii. Has limited liabilities
   iii. Publishes annual balance sheet
   iv. Possesses a trading certificate
   The above characteristics apply to which of the following business units?
   - A Cooperative society.
   - B Limited partnership.
   - C Private company.
   - D Public company.

7. This question is based on figure 1 below.
   Figure 1.

   Which of the following movements illustrates forward vertical integration?
   - A From firm A to firm B.
   - B From firm B to firm D.
   - C From firm E to firm A.
   - D From firm A to firm D.

8. Given the total number of people and total output for an area over time, which of the following can such data help you to determine?
   - A Population growth.
   - B Population migration.
   - C Changes in standards of living.
   - D Changes in population structure.

9. Positive checks according to the Malthusian population doctrine suggest that population can be controlled by:
   - A family planning.
   - B famine.
   - C chastity.
   - D celibacy.

10. Which of the following explains why a fall in price from 150 FCFA to 50 FCFA raises quantity demanded from 10 units to 20 units?
    - A The substitution effect.
    - B The crowding out effect.
    - C Diminishing marginal rate of substitution.
    - D Diminishing marginal returns.

11. The demand for a good is said to be fairly inelastic if the value of its price elasticity is:
    - A 0.
    - B 0.2.
    - C 10
    - D Infinity.

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12. This question is based on figure 2 below.
Figure 2
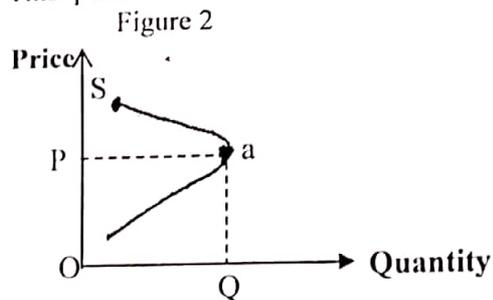
Why is the Sa portion of the above curve negatively-sloped?
A More preference for work than leisure.
B Price is too high to be afforded by all.
C More preference for leisure than work.
D High price makes supply very profitable.

13. A situation in which price is reduced and total revenue instead falls, suggests that demand for the good is :
A fairly elastic.
B fairly inelastic.
C unit elastic.
D perfectly elastic.

14. Given that at the price of 8 FCFA, quantity demanded is 50 units and price elasticity of demand is 0.8. If price increases to 12 FCFA, what will be the change in quantity demanded?:
A 20 units.
B 25 units.
C 50 units.
D 70 units.

15. When the supply of an agricultural product is inelastic while its demand is fairly elastic, it will lead to:
A converging cobweb.
B diverging cobweb.
C perfect cobweb.
D exploding cobweb.

16. Allocative and productive efficiency are easily achieved in the long run under a(an):
A perfect market.
B monopoly.
C monopolistic competition.
D oligopoly.

17. This question is based on the following features of a firm:
- No advertising.
- Many buyers and sellers.
- No barriers to entry and exit.
- Profit maximization.
Identify the market structure that is best described by the above features.
A Monopolistic competition
B Perfect competition
C Perfect oligopolistic competition
D Imperfect oligopolistic competition

18. This question refers to figure 3 below which shows the demand curve for a firm in Oligopoly market.
Figure 3
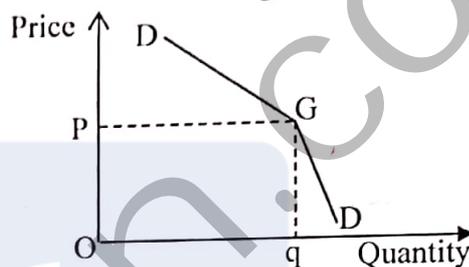
Price stability at 0P indicates that there is :
A no competition.
B certainty.
C uncertainty
D no advertising.

19. If TC exceeds TR by the least amount, it implies that the firm is:
A not maximising profit.
B minimising losses.
C maximising losses.
D earning normal profit.

20. This question is based on table 1 below which shows the output, costs, and revenue of a hypothetical firm.

Table 1

| Output	0	1	2	3	4
Total Costs(FCFA)	100	200	250	290	300
Total Revenue	0	175	350	525	700

From the table, it can be concluded that the firm is:
A operating in the perfect market.
B operating in monopolistic competition.
C a monopolist.
D an oligopolist.

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21. The main feature for firms to operate in the monopolistic market is:
   A collusion.
   B price rigidity.
   C product differentiation.
   D price discrimination.

22. The proportion of labour costs to total costs is a determinant of :
   A elasticity of supply of a good.
   B elasticity of demand for a good.
   C elasticity of demand for labour.
   D elasticity of supply of labour.

23. This question is based on figure 4 below
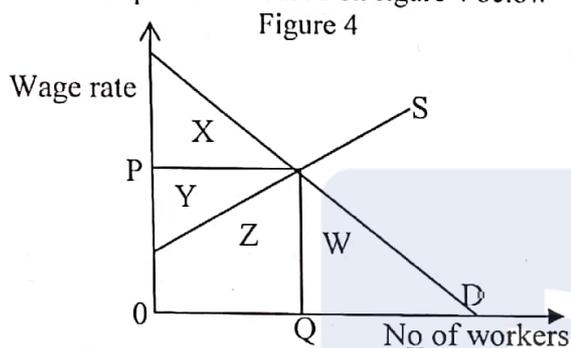
Figure 4

From the above figure, total earnings minus transfer earnings will result in the area indicated by letter:
   A X.
   B Y.
   C Z.
   D W.

24. Which of the following theories explains the current rate of savings as the main determinant of the supply of loanable funds?
   A The supply side theory.
   B The Monetary theory.
   C The keynesian theory.
   D The classical theory.

25. One of the roles of profit in an economy is that:
   A it rewards for forgoing liquidity.
   B it is a reward for entrepreneurship.
   C it encourages invention and innovation.
   D it is a compensation for postponing current consumption.

26. Including only the values of final output in the calculation of national income helps to avoid:
   A omissions.
   B the black market.
   C double counting.
   D the hidden economy.

27. The loss in the value of capital assets over time refers to:
   A capital appreciation.
   B capital consumption.
   C capital deepening.
   D capital stock adjustment.

28. This question relates to the formula below.

$$\frac{\text{Base year price index}}{\text{Current year price index}} \quad X \quad \frac{\text{National income}}{1}$$

The formula above is used for calculating:
   A current national income.
   B real national income.
   C current per capita income.
   D real per capita income.

29. The value of all goods and services produced in an economy in a given period is known as:

   A Gross National Product.
   B Gross Domestic Product.
   C National Income .
   D Net National Product.

30. This question is based on figure 5 below.

Figure 5
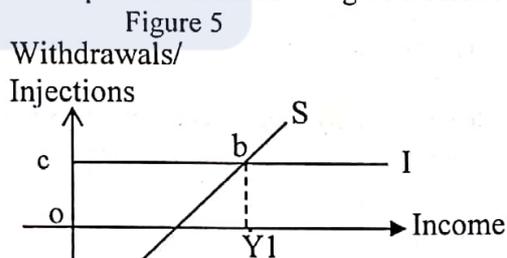
Autonomous dissaving is represented by the value
   A bS
   B oa
   C bY1
   D oc

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31. This question is based on table 2 below showing a partial accelerator table for an economy with a capital-output ratio of 2:1. Depreciation is constant at a rate of 1000 units of capital per year.

Table 2

Year	Demand	Existing capital	Required capital	Replacement investment
1	1000	2000	2000	1000
2	2000	2000	4000	1000
3	2500	4000	5000	1000
4	2500	5000	5000	1000
5	1500	5000	3000	00

What is the most appropriate reason why replacement investment in year 5 is zero?
- A   Because of excess capacity of 2000.
- B   Because of excess capacity of 1000.
- C   Because demand has fallen by 1000.
- D   Because required capital has fallen by 2000.

32. This question is based on the formula below:

$$\frac{\text{Change in consumption}}{\text{Change in disposable income}}$$

The formula above is used for calculating:
- A   average consumption.
- B   average propensity to consume.
- C   marginal consumption.
- D   marginal propensity to consume.

33. If C= 70Million FCFA + 0.7Y, where Y is income which of the following will stand for the saving function?
- A   S= 30 million FCFA - 0.7Y.
- B   S= 30 million FCFA + 0.7Y.
- C   S= -70 million FCFA + 0.3Y.
- D   S= - 70 million FCFA-0.3Y.

34. If the income of an unskilled individual is 0 FCFA and his consumption is 1300 FCFA, what will this amount of consumption be referred to?
- A   Induced consumption.
- B   Relative consumption.
- C   Autonomous consumption.
- D   Current consumption.

35. This question is based on the following formula:

$$\frac{1}{\text{MPS}}$$

The formula above seeks to calculate
- A   the accelerator.
- B   the multiplier.
- C   average propensity to save.
- D   marginal propensity to save.

36. This question is based on table 3 below.

Table 3

Year	Velocity of circulation of money	Price index
2014	18	100
2015	12	95

It can be concluded that:
- A   the standard of living has risen.
- B   the rate of inflation has risen.
- C   the cost of living has risen.
- D   the value of money has fallen.

37. To which group of customers below will BICEC bank Cameroon issue certificates of deposit?
- A   Medium term borrowers.
- B   Long term borrowers.
- C   Long term depositors.
- D   Short term depositors.

38. A hypothetical commercial bank keeps 20,000 FCFA after receiving 200,000 FCFA as deposit from a customer. The maximum additional deposit created is:
- A   2,000,000 FCFA.
- B   1,800,000 FCFA.
- C   200,000 FCFA.
- D   180,000 FCFA.

39. This question is based on the formula below:

$$\frac{ED}{ES + ED} \times \text{Amount of tax,}$$

Where ED is the elasticity of demand and ES is the elasticity of supply.
The formula above best calculates the:
- A   consumer's share of tax.
- B   community's share of tax.
- C   producer's share of tax.
- D   government's share of the tax.

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40. This question is based on table 5 below showing the tax structures in a number of countries.

Table 5

Country	Income	Year 1	Year 2	Year 3
		50,000	100,000	200,000
X	Tax paid	5000	10,000	20,000
W	Tax paid	10,000	20,000	25,000
Y	Tax paid	5,000	5,000	5,000
Z	Tax paid	5,000	15,000	40,000

In which of the above countries does the tax system respect the canon of vertical equity?

    A   Country X.
    B   Country W.
    C   Country Y.
    D   Country Z.

41. XYZ enterprise succeeds in transferring one quarter of its indirect tax to its customers. This implies that the demand for the product is:
    A   fairly elastic.
    B   fairly inelastic.
    C   perfectly elastic.
    D   perfectly inelastic.

42. This question is based on the list below:
    i. Central government
    ii. Local governments
    iii. Public corporations
    iv. Public Companies
The public sector consists of :
    A   i and ii.
    B   i, ii and iii.
    C   i, ii and iv.
    D   i, ii, iii and iv.

43. If countries have different opportunity cost ratios, and their international terms of trade (TOT) lie within limits set by their domestic opportunity cost ratios, the countries will find it:
    A   difficult to trade with each other.
    B   disadvantageous to trade with each other.
    C   impossible to trade with each other.
    D   profitable to trade with each other.

44. Which of the following is an immediate and unavoidable result of devaluation other things being equal?
    A   An unfavourable movement in the terms of trade.
    B   A favourable movement in the terms of trade.
    C   A favourable movement in the balance of trade.
    D   An unfavourable movement in the balance of trade.

45. If short term measures fail to cure a country's balance of payments deficit, the best possible thing to do is to:
    A   encourage exports.
    B   borrow from abroad.
    C   raise interest rates.
    D   sell its foreign assets.

46. The J-curve effect explains that:
    A   revaluation worsens BOP situation in the short run but improves in the long run.
    B   revaluation improves BOP situation in the short run but worsens in the long run.
    C   devaluation worsens BOP situation in the short run but improves in the long run.
    D   devaluation improves BOP situation in the short run but worsens in the long run.

47. Which of the following statements is true?
    A   Economic development occurs without economic growth.
    B   Economic growth occurs after economic development.
    C   Economic development cannot occur without economic growth.
    D   Economic development cannot co-exist economic growth.

48. Periodic fluctuations in economic activity most likely to reduce employment occur during a:
    A   slump.
    B   peak.
    C   recovery.
    D   boom.

49. A country's labour force includes all those who are economically active. Economically active refers to those who are:

A   willing to work.
B   able to work.
C   willing and unable to work.
D   willing and able to work.

50. The removal of government regulation that restrict entry and exit of firms and competition is called:

A   deregulation.
B   denationalisation.
C   leasing.
D   contracting out.

STOP

GO BACK AND CHECK YOUR WORK

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