

GENERAL CERTIFICATE OF EDUCATION (GCE) BOARD  
General Certificate of Education Examination

0725 ECONOMICS 1

JUNE 2021

ADVANCED LEVEL

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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.

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

Before the examination begins:

- Check that this question booklet is headed "Advanced Level – 0725 Economics 1"
- Fill in the information required in the spaces above.
- Fill in 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

- Answer ALL the 50 questions in this Examination. All questions carry equal marks.
- 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]
- 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.
- 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.
- Do all rough work in this booklet, using, where necessary, the blank spaces in the question booklet.
- At the end of the examination, the invigilator shall collect the answer sheet first and then the question booklet after. DO NO ATTEMPT TO LEAVE THE EXAMINATION HALL WITH IT.

Turn Over

JUNE 2021/0725/1/C/MCQ

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1. A concave Production Possibilities Curve (PPC) denotes
- A decreasing opportunity cost.
  - B constant opportunity cost.
  - C increasing opportunity cost.
  - D zero opportunity cost.

2. An economic problem arises when
- A manufactured goods are in short supply.
  - B money is in short supply.
  - C buyers are many.
  - D scarcity and choice are involved.

3. Which of the following is associated with the capitalist economy?
- A The absence of market forces.
  - B State ownership of all resources.
  - C Freedom of choice and enterprise.
  - D Low rate of economic growth.

4. The basic economic question for all societies arises because resources
- A are unlimited in supply.
  - B are limited in supply.
  - C have alternative uses.
  - D are perfectly mobile.

5. The knowledge-based part of an economy falls under the
- A primary sector.
  - B secondary sector.
  - C tertiary sector.
  - D quinary sector.

6. A manufacturing firm operates a balanced system of 3 machines A, B and C with capacities 10, 15 and 25 units of a product per hour respectively. How many units of each machine will enable the firm to operate at full capacity per hour?
- A  $10A + 15B + 5C$ .
  - B  $15A + 10B + 6C$ .
  - C  $10A + 15B + 25C$ .
  - D  $5A + 10B + 20C$ .

7. Which of the following is a benefit from the successful practice of division of labour?
- A Worker interdependence.
  - B Economies of bulk buying.
  - C Efficient managerial ability.
  - D Decreasing returns to scale.

Question 8 is based on Table 1 below relating to four different firms.

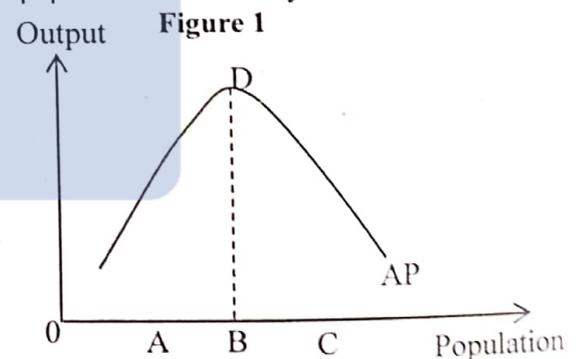
**Table 1**

Firm	% change in inputs	% change of output
W	20	50
X	25	75
Y	33.33	33.33
Z	50	25

8. Which of the firms is experiencing decreasing returns to scale?
- A Firm W.
  - B Firm X.
  - C Firm Y.
  - D Firm Z.

9. The law of diminishing returns may be offset by
- A working extra hours.
  - B reducing the units of the fixed factor.
  - C improvements in technology.
  - D doubling units of the variable factor.

Question 10 is based on Figure 1 relating to the population of a country.



10. The optimum population point is given at
- A point A.
  - B point B.
  - C point C.
  - D point D.
11. When the number of people moving out of a country exceeds the number of people coming in, then there is
- A net migration.
  - B net immigration.
  - C net emigration.
  - D net migration rate.

12. Why are the prices of manufactured products more stable than those of agricultural products?
- A Manufactured products are more low demand price elastic.
  - B Manufactured products are inelastic in supply.
  - C Manufactured products are elastic in demand.
  - D Manufactured products are low supply price elastic.

13. Which of the following describes a public good?
- A It is a free gift of nature.
  - B It displays non-rivalry in consumption.
  - C It displays excludability in consumption.
  - D It is always provided through the market.

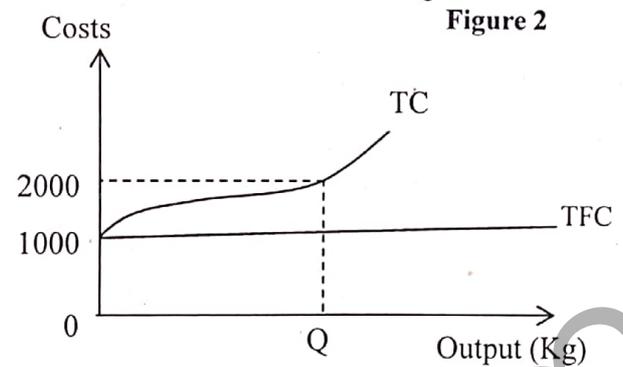
14. The price of a good expressed in terms of another good is called
- A money price.
  - B relative price.
  - C nominal price.
  - D absolute price.

15. There are 100 suppliers of 'bush mangoes' in a community with each having an identical supply function given as  $Q_s = 2P$ , where  $Q_s$  is the quantity supplied and  $P$  is the price. Determine the market supply function.
- A  $Q_s = 100 + 2P$ .
  - B  $Q_s = 2P + 100$ .
  - C  $Q_s = 200P$ .
  - D  $Q_s = 100P$ .

16. If an increase in the price of a good raises the total revenue of a firm supplying that good, then the demand for the good is most likely to be
- A price elastic.
  - B price inelastic.
  - C income elastic.
  - D income inelastic.

17. Fixed costs of production are also known as
- A natural costs.
  - B direct costs.
  - C prime costs.
  - D overhead costs.

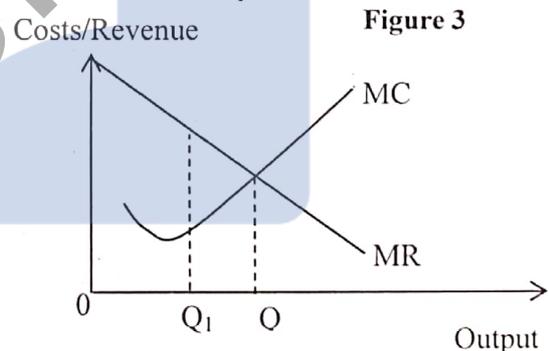
Question 18 is based on Figure 2 relating to the costs situation of a manufacturing firm.



18. Determine the value of total variable costs at output level  $Q$ .
- A 1000.
  - B 2000.
  - C  $1000/Q$ .
  - D  $2000/Q$ .

19. When a firm produces an output for which marginal cost equals average revenue then it has achieved
- A technical efficiency.
  - B productive efficiency.
  - C allocative efficiency.
  - D X- efficiency.

Question 20 is based on Figure 3 relating to a firm in an imperfect market.



20. Which of the following statements is correct about the firm at output  $Q_1$ ?
- A Raise output to increase profit since  $MC$  is less than  $MR$ .
  - B Leave output unchanged to increase profit since  $MC$  is less than  $MR$ .
  - C Reduce output to increase profit since  $MC$  is less than  $MR$ .
  - D Reduce output to reduce profit since  $MC$  is less than  $MR$ .

21. A market structure in which there exists a single supplier facing a single buyer of a product is called
- monopoly.
  - bilateral monopoly.
  - oligopoly.
  - monopolistic competition.

22. The main reason why profit is different from other factor incomes is that
- it is a fixed reward.
  - it is less volatile than other factor incomes.
  - it is not determined by demand and supply.
  - it may be negative.

23. Economic rent existing only in the short run mainly due to shortages in the supply of a factor is called
- rent of ability.
  - quasi- rent.
  - maximum rent.
  - minimum rent.

24. The nominal interest rate in an economy is given as 10%. If the rate of inflation is 6%, then the real interest rate is
- 4%.
  - 6%.
  - 16%.
  - 10%.

25. It is estimated that a vacant building would be capable of providing its owner with an annual rent of
- 200,000FCFA if it were used as a super market ,
  - 150,000FCFA if it were used as a night club, and
  - 100,000FCFA if it were used as a cinema.
- If the owner were to allow it to be used as a super market ,the economic rent would be
- 50,000FA.
  - 100,000FA.
  - 150,000 FCFA.
  - 200,000 FCFA.

Question 26 is based on Table 2 below relating to a hypothetical economy.

**Table 2**

Sector of the economy	Output (MFCFA)
Agriculture and mining	4,100
Services	50,000
Manufacturing	35,900

26. Determine the percentage of GDP contributed by the tertiary sector.
- 4.55 %.
  - 55.55%.
  - 39.9%.
  - 50%.

27. The \_\_\_\_\_ sums up all factor incomes earned by a country's resources in producing current output over one year less depreciation.
- Expenditure method.
  - Income method.
  - Output method.
  - Factor method.

28. GNP is less than GDP when
- net property income from abroad is positive.
  - net property income from abroad is zero.
  - net property income from abroad is negative.
  - net property income from abroad is absent.

29. In a frugal economy, households save part of their income. This implies that
- MPC is less than 1.
  - MPC is equal to 1.
  - MPC is greater than 1.
  - MPC is infinity.

30. In a closed and governed economy, aggregate demand is given as
- C+I+X.
  - C+I+G.
  - C+I-M.
  - C+I+G+X-M.

31. A firm uses 5 machines to produce 1,000 units of a good. If 1 machine must be replaced each year, what is the value of gross investment when demand increases to 1,200 units?
- A 1.
  - B 2.
  - C 3.
  - D 4.

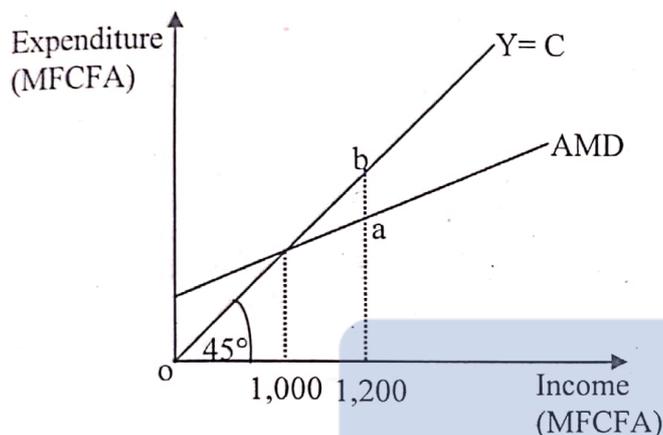
Question 36 is based on Table 3 below relating to the balance sheet of an imaginary bank.

**Table 3**

Liabilities (MFCFA)		Assets (MFCFA)	
		Cash.....	150
Deposits...	1000	Operational balances at central bank .....	50
		Non-liquid assets .....	800
Total.....	1000	Total .....	1000

Question 32 is based on Figure 4 showing the level of National Income in an economy.

**Figure 4**



32. To close the gap ab, the government increases her expenditure by 50M FCFA. The value of the multiplier in this economy is
- A 1.
  - B 2.
  - C 3.
  - D 4.

36. Determine the bank's cash ratio.

- A 10%.
- B 15%.
- C 20%.
- D 80%.

37. The instrument of monetary policy which involves the buying and selling of government securities is called

- A minimum lending rate.
- B cash ratio.
- C open market operations .
- D special deposits.

38. When commercial banks are able to increase the supply of money above the base money they hold in the form of accounts or bank deposits, this is known as

- A money laundering..
- B credit creation.
- C hot money.
- D money illusion.

33. Which of the following will shift the investment demand curve to the right?

- A Improvement in technology.
- B An increase in the aggregate demand for goods.
- C Increase in taxes .
- D Business expectations.

39. When the government spends on the day to day running of the public service, this category of government spending is described as

- A recurrent expenditure.
- B investment expenditure.
- C current expenditure.
- D social expenditure.

34. In a three sector closed economy ,the MPC=0.8.The value of the balanced budget multiplier is

- A 1.
- B 1.25.
- C 4.
- D 5.

40. Pay As You Earn (PAYE) is a method of income tax collection through which taxes are paid according to people's

- A incomes.
- B taxes are deducted at source.
- C the tax system is progressive in nature.
- D the tax system favours the poor.

35. Which of the following factors influences the demand for idle balances in an economy?

- A Real income.
- B Price level.
- C Price of bonds.
- D Spending habits.

Turn Over

41. Cameroon's national debt is the debt of the  
 A public sector in Cameroon.  
 B central government of Cameroon .  
 C local governments in Cameroon .  
 D private sector in Cameroon .

42. The final resting place of the tax burden is termed the  
 A tax base.  
 B tax burden .  
 C tax incidence.  
 D tax impact.

43. An economy is said to be experiencing a trade gap when  
 A imports exceed exports in value.  
 B exports exceed imports in value.  
 C imports equal exports in value.  
 D imports are taxed.

Question 44 is based on Table 4 below showing the domestic opportunity cost ratios for 2 countries producing 2 goods with equal resources.

**Table 4**

Countries	Blankets (bales) : Apples (tons)
A	1 : 15
B	1 : 5

44. Which of the following is a mutually beneficial exchange rate for these countries?  
 A 1 bale for 10 tons.  
 B 1 bale for 20 tons.  
 C 1 bale for 4 tons.  
 D 1 bale for 3 tons.

45. That part of the Balance of Payments account which shows how the government covered its deficit or used its surplus is called  
 A current account .  
 B capital account.  
 C official financing.  
 D balancing item.

46. An overvalued currency is one with  
 A low exchange rate.  
 B high exchange rate.  
 C fixed exchange rate.  
 D floating exchange rate.

47. A country discovers new resources which gives it the potential to produce more of capital and consumer goods. This explains  
 A actual economic growth .  
 B potential economic growth.  
 C real economic growth.  
 D economic development.

48. Which of the following would you consider as an undesirable development strategy to be used by developing countries?  
 A Increasing primary production.  
 B Industrialisation through import substitution.  
 C Exporting tourism potentials.  
 D Reliance on foreign aid.

49. The type of unemployment resulting from immobility of labour is known as  
 A structural unemployment.  
 B seasonal unemployment.  
 C technological unemployment.  
 D frictional unemployment.

50. The curve which shows the trade-off between inflation rate and unemployment rate is known as the  
 A Philips curve.  
 B J- curve.  
 C Laffer curve.  
 D Keynesian curve.

**STOP**

**NOW GO BACK AND CHECK YOUR WORK**