

MARCH 2021

<p>The Teachers' Resource Unit and the Regional Inspectorate of Pedagogy, in collaboration with (NOWETA)</p>	<p>SUBJECT CODE NUMBER 0725</p>	<p>PAPER NUMBER 1</p>
<p>GENERAL CERTIFICATE OF EDUCATION AND ADVANCED TECHNICAL AND VOCATIONAL EDUCATION REGIONAL MOCK EXAMINATION</p>	<p>SUBJECT TITLE ECONOMICS</p> <p style="text-align: center;">8</p>	
<p>CANDIDATE NAME: ..... CANDIDATE NUMBER: ..... CENTRE NUMBER: .....</p>		
<p style="text-align: center;"><b>ADVANCED LEVEL</b></p>		

**Time Allowed: One and a half hours**  
**INSTRUCTIONS TO CANDIDATES:**

Mobile phones are **NOT ALLOWED** in the examination room.

1. USE A SOFT HB PENCIL THROUGHOUT THIS 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 -725 code and subject title—Economics-Paper 1".
4. Insert the information required in the spaces above.
5. Without opening the booklet, pull out the answer sheet carefully from inside the front cover of this booklet. 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.
6. Insert the information required in the spaces provided on the answer sheet using your HB pencil:

**Candidate Name, Centre Number, Candidate Number, Subject Code Number, and Paper number**

**How to answer questions in this examination:**

7. Answer ALL the 50 questions in this examination. All questions carry equal marks.
8. Non-programmable calculators are allowed.
9. For each question there are four suggested answers, A, B, C and D. Decide 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:
 

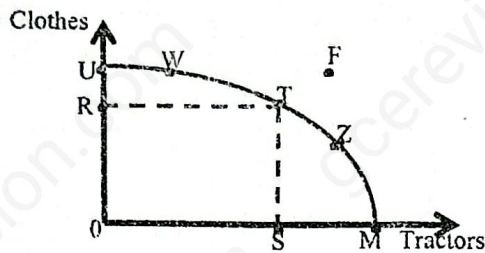
[A] [B] [C] [D]
10. Mark only one answer for each question. If you mark more than one answer, you will score zero for that question. If you change your mind about an answer, erase the first mark carefully, and then mark your new answer.
11. Avoid spending much time on any question. If you find a question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

1. Which of the following features is typical of a car?

- A) Unlimited in supply and has an opportunity cost.
- B) Limited in supply and has no opportunity cost.
- C) Unlimited in supply and has no opportunity cost.
- D) Limited in supply and has an opportunity cost.

2. Question 2 is based on figure 1 which shows a country's production possibilities curve.

Figure 1



If this country is currently at point Z and discovers new resources accompanied by an improvement in technology, then it can possibly move to point:

- A) T.
- B) F.
- C) W.
- D) M.

3. How, what and for whom to produce in a capitalist economy is determined by consumers, this is termed consumer

- A) sovereignty.
- B) demand.
- C) satisfaction.
- D) desire.

4. Which of the following is a characteristic of a command economy?

- A) The government creates a central planning body.
- B) The government allocates resources according to market trends.
- C) The central planning body sets production priorities for some firms.
- D) The government has monopoly of the major resources.

5. Question 5 is based on the formula below:

$$NI = GI - D \text{ where } NI = \text{Net Investment, } GI = \text{Gross Investment and } D = \text{Depreciation.}$$

If Net investment is negative, then

- A) depreciation is less than gross investment.
- B) gross investment is greater than depreciation.
- C) the country is consuming its capital.
- D) the country will produce more goods in future.

6. Which of the following best justifies the setting up of the National Employment Fund in the ten regions of Cameroon?

- A) To bring job seekers closer to employers.
- B) To promote division of labour.
- C) To promote efficiency of labour.
- D) To increase occupational mobility of labour.

7. Question 7 is based on table 1 which shows the costs structure of a hypothetical soap factory.

Table 1

Output	ATC	TC
0	0	100
A	46	184
10	26	260
15	19.3	289.5

What is the value of letter A?

- A) 5.
- B) 4.
- C) 3.
- D) 2.

8. The average fixed cost curve is negatively sloped because of

- A) diminishing returns to the variable factor.
- B) decreasing returns to scale.
- C) variable costs are shared amongst a larger units of output.
- D) the spreading of the overhead costs amongst larger units of output.

9. Which of the following statements offers the best explanation of economies of scale?

- A) Labour becomes more efficient when added to fixed capital.
- B) Large firms can obtain the benefits of monopoly.
- C) Some factors of production are not easily divisible.
- D) The demand for some products is greater than for others.

10. When a state like Cameroon pays family allowance to her civil servants, this will

- A) discourage birth control.
- B) encourage birth control.
- C) encourage celibacy.
- D) encourage self restraint.

11. If in an economy, the ratio of those in the non-working age relative to those in the working age is 3:9, this indicates that

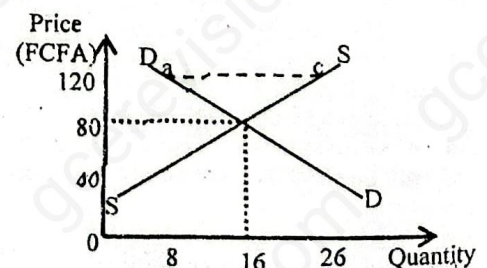
- A) the standard of living is low.
- B) the standard of living is high.
- C) there a fall in total output.
- D) there is a fall in average output.

12. What does a demand curve that is regressive at the top represent?

- A) A demand curve for an inferior good.
- B) A situation where there are expectations of a future fall in income.
- C) The demand curve for a Giffen good.
- D) A situation where there are expectations of a future fall in price.

13. This question is based on figure 2 showing the equilibrium in a product market.

Figure 2



The distance ac on figure 2 shows that at the price of 120 FCFA there

- A) will be rationing in the market.
- B) will be preferential treatment in the market.
- C) is a shortage in the market.
- D) is a surplus in the market.

14. Charging a price higher than what is legally authorized is known as

- A) clandestine price.
- B) black market price.
- C) underground economy pricing.
- D) hidden economy pricing.

15. This question is based on the demand function of good Y in a given market expressed as  $QD_y = 3,000(8 - 3P_x)$ , where  $QD_y$  stands for quantity demanded for good Y.

Which of the following alternatives represents the simplified form of the above equation?

- A)  $QD_y = 3,008 - 3P_x$ .
- B)  $QD_y = 24,000 - 3P_x$ .
- C)  $QD_y = 24,000 - 9,000P_x$ .
- D)  $QD_y = 3,008 - 2997P_x$ .

16. If  $0 < Ed < 1$  where,  $Ed$  stands for price elasticity of demand, therefore

- A) a proportionate change in quantity demanded is less than a proportionate change in price.
- B) a proportionate change in quantity demanded is equal to a proportionate change in price.
- C) quantity demanded will remain unchanged as price changes.
- D) a proportionate change in quantity demanded is greater than a proportionate change in price.

17. This question is based on table 2 below showing various factor combinations producing given output levels with alternative methods used. It is assumed that a unit of land, labour and capital costs 4,000, 9,000 and 7,000 respectively.

Table 2

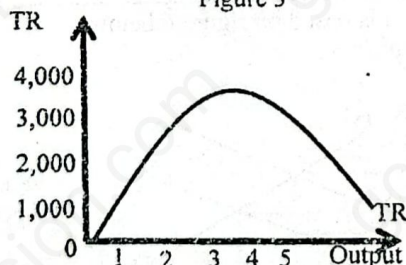
	LAND	LABOUR	CAPITAL
Method W	3	5	7
Method X	5	7	2
Method Y	4	2	4
Method Z	1	4	3

What is the explicit cost of the most economically efficient method a manager will select?

- A) 61,000.
- B) 71,000.
- C) 98,000.
- D) 106,000.

18. This question is based on figure 3 representing the total revenue for a firm.

Figure 3



The TR curve represents that of a firm

- A) in perfect competition.
- B) in imperfect competition.
- C) with a horizontal MR.
- D) with a horizontal AR.

19. Which of the following statements is most correct as a reason why wealth is different from capital?

- A) capital exists at a point in time but wealth is continuous.
- B) Wealth exists at a point in time, but capital is continuous.
- C) All wealth is capital, but not all capital is wealth.
- D) All capital is wealth, but not all wealth is capital.

20. Which of the following best explains why a nationalized industry will choose the AC pricing policy?

- A) When it needs only minimal abnormal profit.
- B) When it wants to optimally allocate its resources.
- C) When it wants to ensure that consumers are not exploited.
- D) When it wants to be autonomous.

21. A restaurant owner has 16 employees working for her. She has plans to add another employee, yet, to do this; she raises monthly wages from 32,000 FCFA to 35,000 FCFA. What is the marginal cost of labour?

- A) 83,000 FCFA.
- B) 67,000 FCFA.
- C) 512,000 FCFA.
- D) 1,595,000 FCFA.

22. Wage is a reward to labour as interest is a reward to

- A) salary.
- B) savings.
- C) shares.
- D) capital.

23. Identify which of the following is the most likely cause of intra-industry wage differentials:

- A) trade union strength.
- B) degree of elasticity for the industry's product market.
- C) profitability level.
- D) longevity of the workers.

24. Which of the following will most likely have a more elastic supply of labour?

- A) Skilled labour.
- B) Unskilled labour.
- C) Individual supply of labour.
- D) Unionized labour.

25. Which of the formulae below is used to calculate real interest rate?

- A) Nominal interest rate - rate of inflation.
- B) Nominal interest rate  $\times$  100.
- C) Nominal interest rate + rate of inflation.
- D) Nominal interest rate  $\times$  rate of inflation.

26. What does per capita real national income most accurately measure?

- A) Standard rates of exchange.
- B) Economic development.
- C) Economic growth.
- D) Standard of living.

27. Which of the following is the correct formula for calculating the value of the multiplier (k) in a three-sector open economy?

- A)  $k = \frac{1}{1 - MPC}$
- B)  $k = \frac{1}{1 - MPS}$
- C)  $k = \frac{1}{1 - MPCd}$
- D)  $k = \frac{1}{MPS + MPT}$

28. This question is based on table 3.

Table 3

$Y^d$	C
235,000	150,000
350,000	210,000

Where  $Y^d$  = disposable income

C = Consumption

What is the MPS?

- A) 0.17.
- B) 0.48.
- C) 0.52.
- D) 0.64.

29. If over the past twelve months, prices have gone up by 8%, population increased by 2% and nominal national income has risen by 8%, then real

- A) income per head has decreased.
- B) national income has increased.
- C) national income has decreased.
- D) income per head has increased.

30. If the interest rate for an economy is 12%. What will be the present value of 5,750 FCFA to be received each year for two years?

- A) 4,464.3 FCFA.
- B) 6,440 FCFA.
- C) 8,928.5 FCFA.
- D) 9,717.8 FCFA.

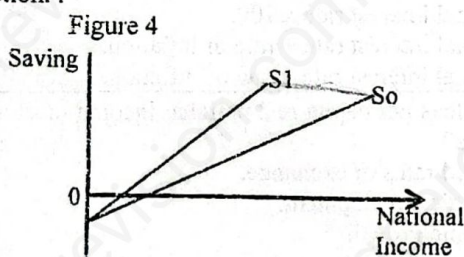
31. The expected return on capital is known as the

- A) marginal rate of return on capital.
- B) marginal efficiency of capital.
- C) average rate of return on capital.
- D) total rate of return on capital.

32. In an economy,  $Y=C+I$ . If consumption = 50 million FCFA + 0.75Y, planned investment = 80 million FCFA and National Income = 800 million FCFA, then realized investment will be

- A) 50 million FCFA.
- B) 80 million FCFA.
- C) 60 million FCFA.
- D) 150 million FCFA.

33. In figure 4 below,  $S_0$  is an economy's initial saving function.



If the saving function shifts from  $S_0$  to  $S_1$ , what effect will this have on the marginal propensity to consume (MPC) and on the multiplier (k)?

	MPC	k
A	Increases	Decreases
B	Increases	Increases
C	Decreases	Decreases
D	Decreases	Increases

34. The income level at which the consumption function intersects with the income-expenditure line indicates

- A) that there is neither saving nor dissaving.
- B) the equilibrium level of income.

C) that aggregate demand equals aggregate supply.

D) the full employment level of income.

35. Suppose from January 2020 to November 2020, more advances were made by BICEC bank to its customers than previously. This implies that

- A) their cash ratio increased.
- B) they reduced the supply of money.
- C) they increased the supply of money.
- D) their cash ratio reduced.

36. When the welfare of the citizens increases, it means that between the current and the base years,

- A) the retail price index has risen.
- B) the retail price index has fallen.
- C) the GDP deflator has risen.
- D) nominal national income has fallen.

37. The reduction in the supply of money by Monetary Authorities, everything being equal, will likely lead to

- A) the holding of more active balances.
- B) the holding of less active balances.
- C) a fall in interest rate.
- D) a rise in interest rate.

38. A microfinance institution with a liquidity ratio of

$7\frac{1}{2}\%$  and a deposit of 450 million FCFA, can create an additional deposits of

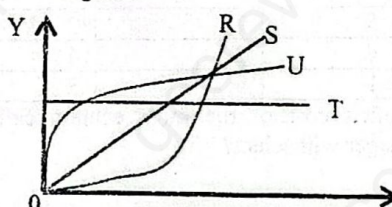
- A) 6,000 million FCFA.
- B) 5,550 million FCFA.
- C) 3,375 million FCFA.
- D) 6,450 million FCFA.

39. What is the name given to an estimated account of public income and expenditure for a coming financial year?

- A) A national forecast.
- B) A balance sheet.
- C) A national budget.
- D) A state development programme.

40. This question is based on figure 5 below.

Figure 5

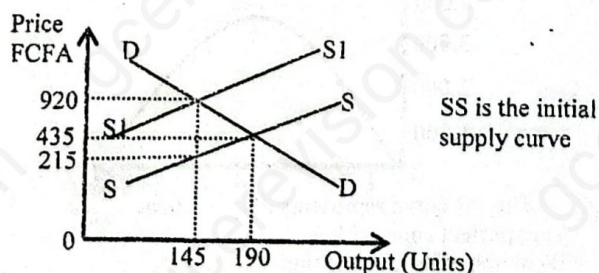


The variable on the horizontal axis is the tax

- A) rate.
- B) base.
- C) band.
- D) return.

41) This question is based on figure 6 below.

Figure 6



What is the tax per unit of output?

- A) 335 FCFA.
- B) 420 FCFA.
- C) 775 FCFA.
- D) 705 FCFA.

Which of the following is the best justification for international trade to take place?

- A) Differences in domestic opportunity cost ratios.
- B) Mobility of some factors between partners..
- C) Differences in natural resource endowment.
- D) Technological advancement differences.

This question is based on table 4 below

Table 4

Country	TV Sets(units)	Bananas(tons)
R	25	60
S	10	30
Total	35	90

How many units of TV sets will country R sacrifice to produce 1 ton of bananas?

- A) 15 units.
- B) 0.42 units.
- C) 2.5 units.
- D) 2 units.

44. When a tariff is imposed, which of the following is a cost to society?

- A) Resource misallocation in the society.
- B) Increased index of export prices.
- C) Increase in the value of terms of trade.
- D) Immobility of resources in the society.

45. This question is based on the information below

Travel= 1,250

Visible imports= -93,835

Interest and profit= 1,100

Invisible imports= -5,800

Visible exports= 69,113

What is this country's trade gap?

- A) +27,972.
- B) +24,722.
- C) -24,722.
- D) -21,472.

46. This question is based on the information below:

- Environmental protection.
- BOP Equilibrium.
- Equitable income distribution.
- Balanced regional development.
- All the above are considered as.

- A) micro policy objectives.
- B) demand side policies.
- C) macro policy objectives.
- D) supply-side policies.

47. When a given economy is experiencing a situation whereby output, sales, employment and profits are high, with no potential for further increase, which phase of the business cycle is the country in?

- A) Recession.
- B) Recovery.
- C) Expansion.
- D) Boom.

48. Which of the following is the cost of economic growth?

- A) Low unemployment.
- B) Low inflation.
- C) Increased negative externalities.
- D) Improved welfare.

49. Which of the following is a characteristic of developing countries?

- A) Low GDP.
- B) Low inflation rates.
- C) Low population growth rates.
- D) Low unemployment.

50. Which of the following instruments will be most appropriate to adjust so as to achieve price stability?

- A) Exchange rates.
- B) Interest rate.
- C) Savings.
- D) Taxes.

END