

SOUTH WEST REGIONAL MOCK EXAMINATION

GENERAL EDUCATION

The Teachers' Resource Unit (TRU) in collaboration with the Regional Inspectorates of Pedagogy and the Subject Teachers' Association (STA)

0725 ECONOMICS

CANDIDATE'S NAME	Subject Code 0725	Paper Number 1
CANDIDATE'S NUMBER	Subject Title ECONOMICS	
CENTRE NUMBER		
ADVANCED LEVEL		
DATE 24/03/2022 (Morning session)		

Time Allowed: One hour thirty minutes

INSTRUCTIONS TO CANDIDATES:

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 – 0725 Economics, Paper 1".
4. Insert the information required in the spaces provided 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. Mobile phones are **NOT ALLOWED** in the examination room.
14. 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. This question is based on figure 1 below:

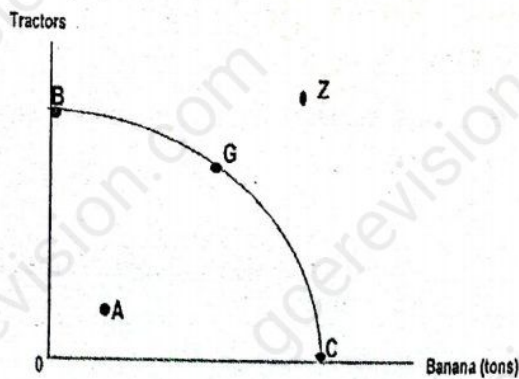


Figure 1.

Which point(s) on the curve show(s) the use of inefficient methods of production?

- A. Points B and C
- B. point Z
- C. Point A
- D. Points G and Z

2. The type of opportunity cost associated with a concave Production Possibility curve is:

- A. Increasing
- B. Constant
- C. Decreasing
- D. Convex

3. Economics is considered a science because:

- A. It makes use of normative statements
- B. It makes use of laws related to longstanding theories
- C. It does not test the validity of hypothesis
- D. It is void of formulation of hypothesis

4. The basic economic problem of 'what to produce' relates to the selection of:

- A. The method of production
- B. The distribution of output
- C. The type of output
- D. The location of production lines

5. The economic term which describes the role consumers play in determining what to produce in a market economy is:

- A. Consumer choice
- B. Consumer satisfaction
- C. Consumer Loyalty
- D. Consumer Sovereignty

6. Which of the following is an alternative name of the command economy?

- A. Capitalist economic system
- B. Mixed economic system

- C. Market economic system
- D. State planned economic system

7. Which of the following is true for primary production?

- A. It leads to the production of finished goods
- B. It leads to the production of intangibles
- C. It is the main stage of production in Developed Countries
- D. It deals with the extraction of free gifts of nature

8. Non-excludability as used on public goods implies:

- A. Consumption of a unit by one person does not prevent another person from its use
- B. Consumption of a unit by one person prevents another person from its use
- C. Once provided, it is not possible to prevent anyone from consuming the good
- D. Once provided, people may not be able to abstain from using the good

9. The ability of a worker to achieve greater output within a shorter period of time without a fall in work quality defines:

- A. Productivity of labour
- B. Efficiency labour
- C. Division of labour
- D. Specialisation of labour

10. Which of the following is correct about returns to the variable factor?

- A. It describes production in the long run
- B. It gives rise to the law of diminishing marginal returns
- C. It leads to the law of returns to scale
- D. It involves only the combination of variable factors

11. A limited liability company raises 65% of its capital from debentures. Its capital structure can be described as:

- A. Highly geared
- B. Lowly geared
- C. Balanced gearing
- D. Equity capital

12. When a nationalised industry equates its price to the unit cost of production, it is said to be practising:

- A. Predatory pricing
- B. Average cost pricing
- C. Marginal cost pricing
- D. Limit pricing

13. An issue of additional shares in a company to existing shareholders in proportion to their holdings is called:

- A. Rights issue
- B. Placings
- C. Public issue
- D. Bonus issue

14. A country registers a birth rate of 38 per thousand and Death rate of 20 per thousand. Its natural growth rate is given as:

- A. 1.8 percent
- B. 18 percent
- C. 18 per thousand
- D. 1.8 per thousand

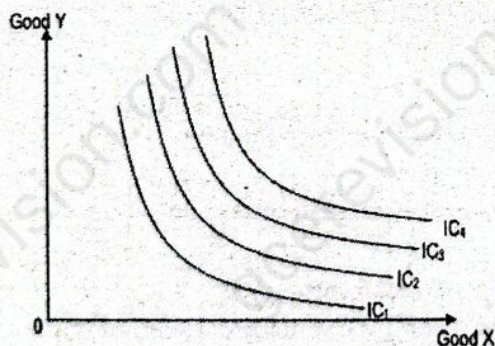
15. A youthful population is one with:

- A. A small and increasing number of youths
- B. A large and decreasing number of young persons
- C. A large and increasing number of youths
- D. A large and decreasing number of aged persons

16. A rational consumer of two goods X and Y with a limited income, a given set of prices and constant taste will maximise satisfaction for the two goods when:

- A. $\frac{MU_x}{P_x} < \frac{MU_y}{P_y}$
- B. $MU_x = MU_y$
- C. $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$
- D. $\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$

This question relates to figure 2 below:



17. Which of the indifference curves represents the highest level of satisfaction?

- A. IC₁ B. IC₂ C. IC₃ D. IC₄

This question relates to the following information:

Every week 1000 customers buy rice in a local market each having an identical demand function given as $Q_d = 6 - P$ where Q_d is quantity demanded and P is Price.

18. Determine the market demand function:

- A. $Q_d = 6000 - P$
- B. $Q_d = 6000 - 1000P$
- C. $Q_d = 6 - 1000P$
- D. $Q_d = 1000 - 6000P$

19. Which of the following is a consequence of an increase in the price of flour?

- A. An increase in the supply of bread
- B. A decrease in the supply of bread
- C. An increase in the quantity supplied of bread
- D. A decrease in the quantity supplied of bread

20. The market clearing price is a price at which:

- A. Quantity demanded equals quantity supplied
- B. Market quantity demanded exceeds market quantity supplied
- C. Quantity demanded exceeds quantity supplied
- D. Market quantity demanded equals market quantity supplied

This question relates to figure 3 below

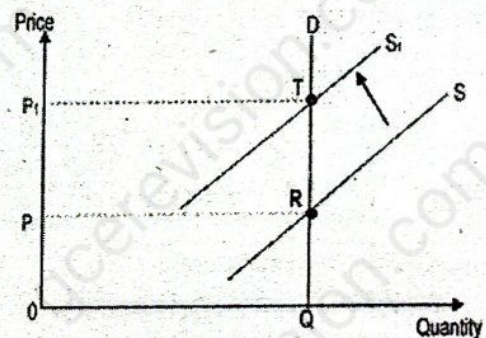


Figure 3.

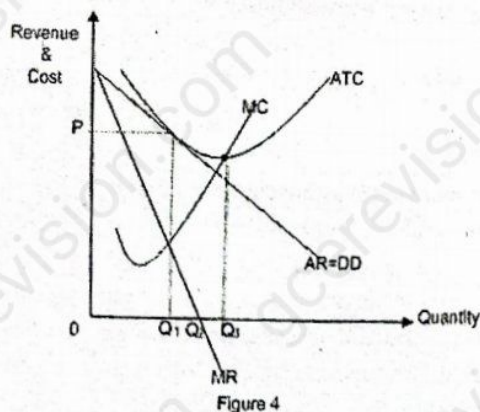
21. Which of the following is correct about the market for the product?

- A. The entire tax is borne by the consumer
- B. The entire tax is paid by the producer
- C. The tax has been shared equally between the producer and consumer
- D. The consumer has borne a greater share of the tax burden

22. Abnormal profit earned by perfectly competitive firms are described as "windfall" because:

- A. They exist both in the short run and long run
- B. They exist only in the short run
- C. They exist only in the long run
- D. They exceed normal profit

This question is based on figure 4 below:



23. Excess capacity is given by the output range:

- A. OQ_1 B. OQ_2 C. Q_1Q_2 D. Q_1Q_3

24. The use of means such as attractive packaging, free after sales services and advertisement by oligopoly firms to increase sales is known as:

- A. Non-price competition
B. Price competition
C. Predatory pricing
D. Promotional sales

25. A firm is said to attain its growth maximisation objective when:

- A. $AR=AC$
B. $MR=MC$
C. $MR=0$
D. AR is lowest.

26. A firm shuts down in the short run because its price is less than average variable cost. This move is correct because:

- A. Losses are minimised to Fixed Cost
B. Losses are minimised to Variable Cost
C. Losses are reduced to zero
D. Losses are reduced to Average Cost

This question is based on figure 5 below.

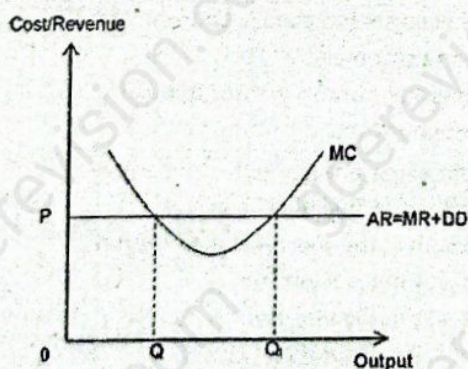


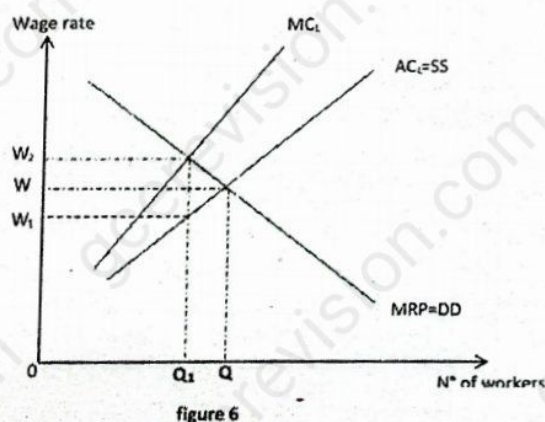
Figure 5

27. The profit maximising output level(s) is (are)

- A. Q and Q_1 because $MC=MR$
B. Q only because $MC=MR$ and MC is falling

- C. Q_1 only because $MC=MR$ and MC is rising
D. Q only because $MC=MR=AR=P$

This question relates to figure 6 below showing a monopsonist labour market.



28. The wage rate and employment level of the monopsonist are:

- A. W_2 and Q_1
B. W and Q
C. W_1 and Q_1
D. W and Q_1

29. According to the _____ theory equilibrium interest rate occurs at the intersection of the demand for and supply of money.

- A. Loanable funds
B. Liquidity preference
C. Classical
D. Monetarist

This question is based on the following data relating to a hypothetical economy. Figures are in Millions FCFA.

Net Domestic Fixed Capital Formation	1020
Capital Consumption	180
Value of physical increase in stocks and work in progress	300

30. The value of total investment is:

- A. 1200MFCFA B. 940MFCFA
C. 1500MFCFA D. 1320MFCFA

31. Per Capita Income is calculated as:

- A. $\frac{\text{Real National Income}}{\text{Total Population}}$
B. $\frac{\text{Money National Income}}{\text{Total Population}}$

$$C. \frac{\text{Money National Income}}{1} \times \frac{\text{Base Year Index}}{\text{Current Year index}}$$

$$D. \frac{\text{Money National Income}}{1} \times \frac{\text{Current Year index}}{\text{Base Year Index}}$$

32. The difference between GNP_{FC} and GDP_{FC} is

- A. Net Property Income from Abroad
- B. Capital consumption
- C. Subsidies and indirect taxes
- D. Net exports

33. An economy registers a trade gap when:

- A. Value of exports exceeds value of imports
- B. Value of imports exceeds value of exports
- C. Value of exports just equals value of imports
- D. Value of net exports is positive

34. The condition of equilibrium in a three sector open economy is:

- A. $Y = C + I + G + X - M$
- B. $Y = C + I + G$
- C. $Y = C + I + X - M$
- D. $Y = C + I$

35. An increase in income of 10000 FRS induces a household to increase consumption by 8000 FRS. The Marginal Propensity to Consume is:

- A. 0.75 B. 0.8 C. 1.25 D. 0.08

36. When investment is all autonomous, an attempt by a community to save more:

- A. Leaves realised savings unchanged
- B. Increases realised savings
- C. Decreases realised savings
- D. Causes the paradox of thrift to occur

37. A firm maintains a constant capital-output ratio of 4:1. The value of Accelerator is:

- A. 2 B. 0.25 C. 4 D. 5

38. The consumption schedule of an economy is represented by the table below

Income (MFCFA)	Consumption (MFCFA)
60	58
70	66
80	74
90	82
100	90
110	98

The multiplier is:

- A. 1.25
- B. 5
- C. 2

D. 2.5

Use the table below to answer question 39.

Liabilities (MFCFA)	Assets (MFCFA)
Current accounts 1000	Coins and bank notes 100
	Advances 600
	Money at call and short notice 300
	Special deposits 100

39. The total amount of assets which yield no interest to the bank is:

- A. 100MFCFA B. 600MFCFA
- C. 700MFCFA D. 200MFCFA

40. Money as medium of exchange has resolved the barter problem of:

- A. Divisibility
- B. Storage
- C. Double coincidence of wants
- D. Impossibility of credit

41. Which of the following is true for a balanced budget?

- A. It has a neutral effect on the economy
- B. It has a net expansionary effect on the economy
- C. It has a net contractionary effect on the economy
- D. It has a negative effect on the economy

42. For a progressive tax such as personal income tax:

- A. $MRT = ART$ and both are constant
- B. $MRT > ART$ and both rise with income
- C. $MRT < ART$ and both fall with income
- D. $MRT = ART$ and both rise with income

43. Unemployment which is associated with the business cycle is termed:

- A. Mass unemployment
- B. Seasonal unemployment
- C. Structural unemployment
- D. Frictional unemployment

44. When high rates of inflation coexist with high rates of unemployment in the economy, it is said to be experiencing:

- A. Hyperinflation
- B. Galloping inflation
- C. Stagflation
- D. Creeping inflation

The data below relates to two simple economies which do not trade with each other.

Country	Country A	Country B
Motor Bikes	20	10
Wheat (tons)	400	500

45. What is the domestic opportunity cost ratio of a bike in country A?

- A. 1 bike : 20 tons
- B. 1 bike : 400 tons
- C. 1 bike : 10 tons
- D. 1 bike : 500 tons

46. Balance of trade is defined as:

- A. The difference between the value of visible exports and value of visible imports
- B. The difference between the value of invisible exports and invisible imports
- C. The difference between the value exports and imports
- D. The difference between trade in goods and trade in services

47. A country's current account worsens immediately after devaluation because:

- A. Imports are elastic in the short run
- B. Exports are elastic in the short run
- C. Exports and imports are perfectly inelastic in the long run
- D. Imports and exports are inelastic in the short run

48. A country will most likely experience a favourable Terms of Trade when:

- A. Export prices are rising faster than import prices
- B. Import prices are rising faster than export prices
- C. Import prices are rising and export prices are falling
- D. Export prices are falling faster than import prices

49. Potential economic growth is graphically represented by:

- A. A movement from within to a point along the PPC
- B. A complete shift of the PPC outwards
- C. A complete inwards shift of the PPC
- D. A movement along the PPC

50. Foreign aid which must be spent on goods produced in the donor country or a group of specified countries is described as:

- A. Bilateral aid
- B. Tied aid
- C. Multilateral aid
- D. Voluntary aid

END!!

NOW, GO BACK AND CHECK YOUR WORK!!