

# GENERAL CERTIFICATE OF EDUCATION BOARD

General Certificate of Education Examination

**ECONOMICS 3**  
**0725**

**JUNE 2022**

**ADVANCED LEVEL**

Subject Title	<b>ECONOMICS</b>
Paper No.	<b>Paper 3</b>
Subject Code No.	<b>0725</b>

**1 Hour 45 minutes**

## INSTRUCTIONS TO CANDIDATES

**Answer ANY THREE questions. All questions carry equal marks.**

**You are advised to spend the first fifteen minutes reading the paper.**

**In calculations you are advised to show all the steps in your working.**

*You are reminded of the necessity for good English and orderly presentation in your answers.*

*Calculators are allowed.*

**Turn Over**

1. This question is based on the passage below:

"In all societies people want more than they are capable of producing. At any given moment in time the supply of economic resources is limited so that more of one thing can be produced only if less of something else is produced. Likewise, incomes are limited and in spending our incomes we have to choose between alternatives. Economists use the term "**opportunity cost**" to describe the idea of measuring cost in terms of the alternatives forgone. This is a very important concept. We have to make choices all the time. We have to decide how we spend our time, how we spend our incomes and what employment we undertake..."

Producers and governments also have to make choices. A producer must decide what goods to produce and which resources to employ. For example, a farmer opting to use an area of land for growing corn has chosen not to use it for another purpose e.g. keeping sheep. In growing the corn, he has the choice of using **labour intensive or capital intensive methods**. Governments also have to consider the opportunity cost of any decision they make. The real cost of building a hospital is not the cost in terms of money but cost in terms of the alternative uses of the resources i.e. the opportunity cost".

Source: Adapted from Stanlake's Introductory Economics, 7<sup>th</sup> Edition. Page 9.

a) Define:

- economic resources. (2 marks)
- opportunity cost. (2 marks)

b) How is opportunity cost related to choice? (3 marks)

c) Why is opportunity cost considered more important than cost measured in monetary terms? (3 marks)

d) i) Give two examples of the possible opportunity cost of government building a new hospital. (3 marks)  
ii) What is another name for opportunity cost? (2 marks)

e) Why do consumers, producers and governments have to make choices? (1 mark)

f) Distinguish between labour intensive and capital-intensive methods of production mentioned in the passage. (3 marks)

g) Apart from population size, list two other aspects of a population that can influence production. (4 marks)

2. The table below presents hypothetical figures of the age distribution of population in two imaginary countries.

Age Group	Country A (Population '000)	Country B (Population '000)
0 - 14	50	12
15-64	60	82
65+	10	26

a) Calculate the dependency ratio for Country A. (4 marks)

b) Which of the two countries is more developed and why? (1+4 marks)

c) Name three main factors that influence the size of a population. (3 marks)

d) Briefly explain the major differences between the Malthusian and the Boserup theories of population. (4 marks)

e) Apart from population size, list two other aspects of a population that can influence production. (4 marks)

3. "A monopoly in the strictest sense, occurs when a single firm or small group of firms who coordinate their activities, control the entire market supply of a good or service. Sometimes, a monopoly will be able to supply the same good in different markets at different prices for reasons not related to costs or quality differences. In the U. K for example, a firm is regarded as a monopoly if it controls 25percent of the total market supply of a particular good or service. An important feature of monopoly is its ability to make decisions about price. Economists are interested in monopoly primarily because of its effects on the allocation of resources".

Source: Adapted from Introductory Economics by Barry Harrison, Charles Smith and Brinley Davies, page 94.

a) i) Which economic term best describes the underlined sentence in the passage ? (2 marks)  
 ii) List 2 necessary conditions for a monopoly to operate successfully as explained in the underlined sentence in the passage. (4 marks)

b) Identify 4 sources of monopoly power. (4 marks)

c) When is a monopoly described to be:  
 i) economically efficient ? (2 marks)  
 ii) allocatively inefficient ? (2 marks)

d) List four reasons to justify that a monopolist operates in public interest. (4 marks)

e) State two ways by which the government can control monopoly. (2 marks)

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4. In a simple economy, there are only three firms with the following transactions. Firm A sells to Firm B for 5,000 FCFA and to firm C for 3,000 FCFA. Firm B sells to firm C for 4,000 FCFA and to exports for 8,000 FCFA. Firm C also sells to consumers for 10,000 FCFA.

a) i) Calculate Firm B's contribution to the GNP of this economy. (4 marks)  
 ii) Calculate the GNP of this simple economy. (4 marks)

b) Suppose the existence of the hidden or underground economy is pronounced in this imaginary society;  
 i) Define the hidden or underground economy. (2 marks)  
 ii) Give two factors that may increase the size of the hidden economy. (4 marks)

c) Enumerate four disadvantages of the hidden economy. (4 marks)

d) Give any two examples of the hidden economy. (2 marks)

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5. "Speaking to journalist in 1997, at a Press Conference in Douala, GICAM President harped on the need for Economic operators, Opinion Leaders and Pressure Groups to bring pressure to bear on their respective Governments to promote Economic Integration in the Region. He regretted that, contrary to what obtains in other regions, there was no free movement of people and goods in Central Africa. Taking the Livestock sector as an example, he regretted that Cameroonian meat would sell more expensively in Gabon than meat from South Africa situated thousands of kilometers away".

Source: Adapted from "The Herald No 547 of 1997"

a) With the aid of examples, distinguish between a free trade area and a customs union. (6 marks)

b) i) Give the full meaning of "CEMAC". (2 marks)  
 ii) To which of the trade blocs mentioned in (a) above does "CEMAC" belong ? (2 marks)

c) Enumerate any three problems faced by "CEMAC". (3 marks)

d) Give two reasons why South African goods may be cheaper than Cameroonian goods in a CEMAC country. (4 marks)

e) List three advantages of Cameroon belonging to "CEMAC". (3 marks)