



LITTORAL ECONOMICS TEACHERS ASSOCIATION
(LETA)



General Certificate of Education Regional Mock Examination

MARCH 2023

ADVANCED LEVEL

Centre Number	
Centre Name	
Candidate Identification number	
Candidate Name	

Mobile phones are NOT allowed in the examination room.

MULTIPLE CHOICE QUESTIONS 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 HB pencil and an eraser for this examination.

1. USE A SOFT HB PENCIL THROUGHOUT EXAMINATION
2. DO NOT OPEN THIS QUESTION PAPER 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 mark on it other than those asked for in these instructions.

How to answer questions in the examination:

6. Answer ALL questions.
7. Mathematical tables (Formulae booklets) and calculators are not allowed.
8. 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 horizontal line across the letter to join the square bracket to the answer you have chosen.
For example, if C is your correct answer, mark C as shown here:
[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, where necessary, the blank spaces in the question booklet.
12. At the end of the examination, the invigilator shall collect the answer sheet first then the question booklet. DO NOT ATTEMPT TO LEAVE THE EXAMINATION HALL WITH IT

1. Which of the following is an appropriate distinction between micro and macroeconomics?
- Macro economics is concerned with small segments of economy while Micro economics is concerned with the whole economy
 - Micro is concerned with determining the price of a particular commodity while macro is concerned with determining and maintaining the general price level.
 - Micro places greater emphasis on empirical data while macro begins with theories
 - Macro takes a bottom - up approach in analysis while the micro economics takes a top to down approach into consideration.
2. According to the production possibility curve analysis productive efficiency is achieved when
- Extreme combinations are produced
 - It is impossible to increase the output of one good without reducing the output of the other
 - The product mix reflects people taste and resources
 - More of both goods can be produced using the same resources
3. Which of the following economies system does not exhibit self interest in production
- Command economy
 - Capitalist economy
 - Market economy
 - Taxed economy
4. One of the drawbacks of a capitalist economy is,
- Incentive to innovate
 - Slower rate of economic growth
 - Reduced government intervention
 - Wide inequality in income and wealth
5. Which of the following is a characteristics of the tertiary sector of production
- It constitute a greater proportion of economic activities in developing countries
 - The output is intangible in nature
 - It mostly makes available finished and semi-finished products.
 - It does little to change the original form of materials
6. A debenture holder comes home after the trading year with 180,000 FRS as interest on 500 debentures bought whose faces value is 4000 FRS each. What is the rate of interest paid on this debenture?
- 12.5%
 - 8%
 - 9%
 - 2.77%
7. Which of the following measures can encourage the movement of labour from one place to another?
- Reduction of trade union influence
 - Subsidizing cost of training
 - Reduction of administrative procedure
 - Transfer with promotion.
8. Which of the following is a similarity between Cooperative and Joint stock companies?
- The primary objective of both is profit making
 - Shares are easily transferrable in both businesses
 - Their shares list is kept open at all times

- In both business units members enjoy limited liability
9. The process of collecting, compiling, evaluating and publishing information about population at a particular time is called
- Population Studies
 - Population Census
 - Demography
 - Population Statistics
10. Under population can be associated with
- Decreasing returns
 - Constant returns
 - Increasing returns to variable factors
 - Diminishing returns
11. Question 11 is based on the figure 1 below shows the equilibrium situation of a consumer faced with the consumption of goods A&B

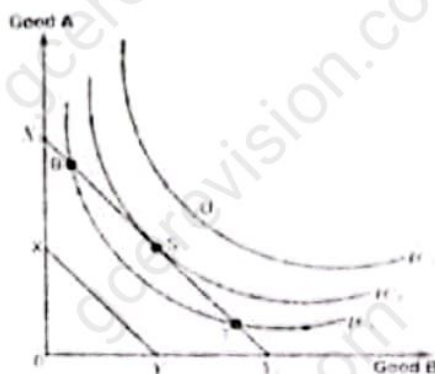


Figure 1

- At what point should the consumer consume in order to maximize satisfaction
- Point R
 - Point S
 - Point T
 - Point U
12. If a 5% increase in price leads to a 2% decrease in quantity demanded then demand is said to be
- Fairly inelastic
 - Fairly elastic
 - Unitary
 - Perfectly inelastic
- Question 13 is based on table 1 below which shows the effect of taxes on equilibrium price and quantity
- Table 1
- | Price | Quantity Demanded | Quantity Supplies |
|-------|-------------------|-------------------|
| 100 | 1,000 | 11,000 |
| 90 | 2,000 | 10,000 |
| 80 | 3,000 | 9,000 |
| 70 | 4,000 | 8,000 |
| 60 | 5,000 | 7,000 |
| 50 | 6,000 | 6,000 |
| 40 | 7,000 | 5,000 |
13. What will be the new equilibrium price and quantity respectively if the government imposes a tax of 20frs per unit of this good?
- 50/30 units and 60frs

- B. 80frs and 9000units
 C. 60frs and 7000units
 D. 60frs and 5000units

Question 14 is based on figure 2 below illustrating instability in price and income of agricultural products.

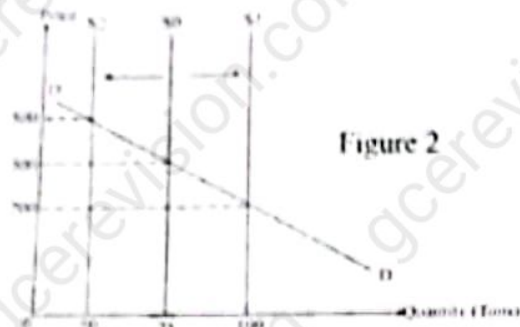


Figure 2

14. Given that S_0 is in the supply of the initial year. What will be farmer's income during the year of bad harvest
 A. 20,000frs
 B. 25,000frs
 C. 22,000frs
 D. 37,000frs

15. A buyer market occurs when
 A. Price is set above equilibrium price
 B. Price is set below equilibrium price
 C. A maximum price is set.
 D. There is a shortage

Question 16 is based on table 2 below which shows the short run cost schedule of a beans farmer who rents a piece of land annually for 25,000 FRS

0	120
1	180
2	250
3	210
4	230

16. What is average fixed cost of 2 buckets of beans
 A. 12,500FRS
 B. 40,000FRS
 C. 60,000FRS
 D. 52,500FRS
17. If a firm incurs an entire cost of 85000frs in the production of 5chairs if a chair is sold at 25,000frs what will be the profit of this firm after the sales of 5chairs?
 A. 42,500FRS
 B. 60,000FRS
 C. 40,000FRS
 D. 125,000FRS

18. Question 18 is based on figure 3

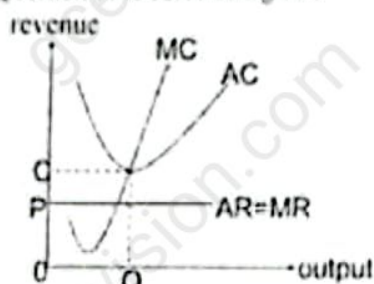


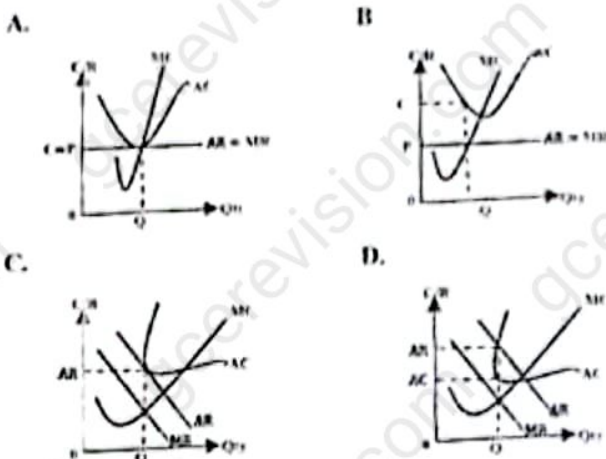
Figure 3

- The diagram illustrates
 A. An inefficient firm in perfect competition
 B. A loss making firm in an imperfect market
 C. A low cost firm
 D. A marginal firm

19. When output is zero total cost is always

- A. Equal to TVC
 B. Equal to TFC
 C. Equal to AFC
 D. Equal to MC

20. Question 20 is based on figure 4 below



Which of the above figure represent the long run situation of a firm under monopolistic competition?

- A. Figure C
 B. Figure D
 C. Figure A
 D. Figure B

21. Question 21 is based on table 3 which shows money wages and average price levels for different years.

Year	Money wage (FCFA)	Average price level (CPI)
2019	800,000	100
2020	x	140
2021	2,000,000	160

What is the money wage in 2020 if the real wage was 1,000,000frs

- A. 120,000frs
 B. 7,142,857frs
 C. 1470,000frs
 D. 140,000frs

22. Which of the following theories state that interest rate is determined by the demand for and supply of money?

- A. The classical theory
 B. The loanable fund theory
 C. The equilibrium theory
 D. Liquidity Preference theory

23. Which of the following statement is correct

- A. An increase in interest rate on savings reduces consumption by making saving more attractive
 B. A rise in interest rate on loans will encourage investment

- C. A rise in interest rate increases production and output
 D. An increase in interest rate speed up the rate of economic growth

24. Receipts or payments which do not constitute income earned in the current year is known as ...?

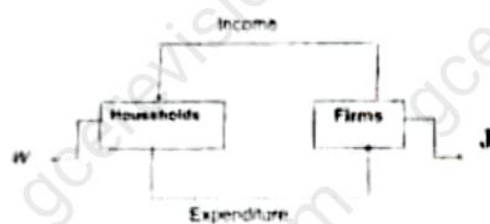
- A. Imputed charges
 B. Transfer payment
 C. Residual error
 D. A accrued income

25. A wheat farmer sells part of his wheat to a miller for 5million and the rest to a bakery for 9million. The miller converted the wheat into flour and sold to national bakers for 7.5million and to international bakers for 10million. The domestic bakery sold bread to domestic consumers for 12.5million. The contribution of the wheat farmer to national income is.

- A. 14million
 B. 9million
 C. 16.5million
 D. 17.5million

Question 26 is based on the data below. Figures are in Million FCA

Gross trading surplus of general government enterprise	100
Gross trading surplus of public corporations	300
Rents	775
Income from self-employment	900
Pension	115
Income from employment	5000
Gross trading profits of companies	1200
Stock appreciation	325



Residual error	100
Depreciation	1350

26. What is the value of GDP at factor cost?

- A. 9,400M
 B. 8,050M
 C. 8,375M
 D. 8,165M

27. The formula for the accelerator can be stated as;

- A. $V = \frac{\text{output}}{\text{capital}}$
 B. $V = \frac{\text{capital}}{\text{output}}$
 C. $V = \frac{\text{change in output}}{\text{change in investment}}$
 D. $V = \frac{\text{change in output}}{\text{change in capital goods}}$

28. The relationship that exist between consumption and saving is a?

- A. Direct relationship

- B. Linear relationship
 C. Inverse relationship
 D. Proportional relationship

Question 29 is based on the data below. All figures are million FCA

Investment	=260M
Consumption	= 80% of disposable income
Government spending	= 400M
Taxes	= 50% of income

29. If the equilibrium income is 1100M, what will be the budgetary situation?

- A. Deficit of 150M
 B. Surplus of 150M
 C. Surplus of 550M
 D. Budget deficit of 400M

30. The basic assumption underlying the multiplier concept is that,

- A. The Economy must be open
 B. The MPC is more than 1
 C. Injections are all induced while withdrawals are all autonomous.
 D. The economy is operating at less than full employment level

Question 31 is based on table 4 which shows a country's saving schedule. All figures are in MECFA.

Income	Saving
0	-600
1000	-300
2000	0
3000	300
4000	600

31. What is the value of marginal propensity to consume?

- A. 0.7
 B. 0.3
 C. 0.07
 D. 0.03

Question 32 is based on figure 4 showing the circular flow of income in an open economy.

Fig 4: Circular flow in an open economy

32. The withdrawals (W) and injections (J) respectively are;

- A. S+T+M and I+G+X
 B. I+G+X and S+T+M
 C. I+G+M and S+T+X
 D. S+T and I+G

33. Paper money that is not backed by gold but by government security is known as

- A. Quasi money
 B. Fiduciary issue
 C. Hot Money
 D. Convertibly bank notes

34. Which of the following measures can remedy cost-push inflation?

- A. Decrease exchange rate of home currency
 B. Increase indirect taxes
 C. Reduction in subsidies.
 D. Indexation

Question 35 is based on the data below. All figures are MECFA

Cash in idl.	160
Balances at the central bank	240
Money at call and short notice	100

Treasury bills	100
Investments	200
Loans	1050
Special deposits	150
Total liability	2000

35. What is the value of illiquid asset ratio?
- 30%
 - 75%
 - 70%
 - 85%
36. That canon of tax which ensures that the time and method of tax payment should be appropriate and suitable for the taxpayers is known as.....?
- Certainty
 - Equity
 - Flexibility
 - Convenience
37. The annual difference between public sector expenditure and public sector income is known as?
- The public sector net cash requirement
 - The budget
 - Budget surplus
 - External debt
38. A country operates a progressive tax structure with a tax-free allowance of 12000frs. Income between 0-40,000frs is taxed 15% and all income above 40,000frs is taxed 25%. If an individual earns 100,000frs, how much tax will he pay?
- 18000FRS
 - 35,200FRS
 - 15,000FRS
 - 4,586.6FRS
39. That part of the Balance of Payment account which shows how a deficit is covered or a surplus is disposed of is called ?
- The current account
 - The capital account
 - The official financing
 - The balancing item
40. A trade bloc with a single economic market, a single currency, a common trade policy and monetary policy is known as a
- A Custom Union
 - An Economic Union
 - A Free Trade Area
 - A Common Market
41. Which of the following factors is likely to cause an unfavorable term of trade?
- Fall in import prices with export prices remaining constant.
 - Fall in import prices and rise in export Prices
 - import prices falling faster than export Prices
 - Export prices falling faster than imports
42. The trade protection method which is aimed at switching consumption from imports to domestic goods by highlighting the importance of consuming home goods is known as
- subsidies
 - Voluntary export restraint
 - Campaigns
43. The difference between actual growth and potential growth is that
- Actual growth is a movement from within the PPC to the frontier while potential growth is a complete outward shift of the PPC
 - Actual growth is an increase in a country's productive capacity while potential growth is the sustained increase in a country's real GDP.
 - Actual growth is caused by an increase in the quantity and quality of resources while potential growth is caused by more efficient use of existing resources.
 - Actual growth reflects an increase in labour force while potential growth reflects a full employment of resources.
44. The phase in a trade cycle where economic activities decline below the normal level is known as
- A recession
 - A downturn
 - A depression
 - A decline
45. A situation where people prefer to remain unemployed because they are scared of losing unemployment benefits is termed as.....?
- A poverty trap
 - Unemployment trap
 - Residual unemployment
 - Friction unemployment
46. The non-accelerating inflation rate of unemployment is that rate of unemployment which is.....?
- Inconsistent with stable rate of inflation
 - Above the rate of inflation
 - Consistent with a stable rate of inflation
 - Not in equilibrium with the labour market
47. One of the glaring effects of indirect taxes is.....?
- An increase in investment
 - Cost push inflation
 - Demand pull inflation
 - Increase in the rate of economic growth.
48. Which exchange rate system does Cameroon operates?
- floating exchange rate
 - Managed exchange rate
 - Fixed exchange rate
 - Adjustable peg
49. Which of the following International Institutions has as their main objective to ensure international monetary cooperation?
- IBRD
 - IMF
 - World Bank
 - WTO
50. The act of taxpayers carefully arranging their activities and business affairs with the aim of reducing their tax liabilities is known as.....?
- Tax evasion
 - Tax haven
 - Tax avoidance
 - Tax concession

STOP! GO BACK AND CHECK YOUR WORK