

The Teachers' Resource Unit (TRU) in collaboration with the Subject Teachers' Association (STA)	Subject code 0725	Paper number 1
SOUTH WEST REGIONAL MOCK EXAMINATION	Subject Title ECONOMICS	
CANDIDATE NAME		
CANDIDATE NUMBER		
CENTRE NUMBER		
ADVANCED LEVEL	DATE Thursday 16/03/2023 (Morning)	

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 – 0725Economics, 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. A stock exchange speculator who purchases stocks and shares in anticipation of a price rise to later sell them at a profit is called:
 - A. Speculator
 - B. A bear
 - C. A bull
 - D. A stock buyer.

2. The idea that higher tax rates will eventually lead to a decline in tax revenue is explained by the:
 - A. Lorenz curve
 - B. Phillips curve
 - C. Laffer curve
 - D. Supply curve.

3. What is the value of the G D P at factor cost from table 1 below? (Figs. in Million FCFA).

S/N	Description	Amount
1.	Consumer expenditure at market prices	12,000
2.	Public authorities current expenditure	3,200
3.	Gross Domestic Investment in fixed capital and stocks	3,500
4.	Exports of Goods and Services	3,500
5.	Imports of goods and services	3,600
6.	Net property income from abroad	1,000
7.	Taxes on expenditure	2,800
8.	Subsidies	300
9.	Capital consumption	1,500

- A. 16,100 million francs
- B. 16,200 million francs
- C. 14,800 million francs
- D. 14,700 million francs.

4. In an open economy with government sector, the equilibrium income is attained when it satisfies one of the equations below:
 - A. $I+G+T=S+X-M$
 - B. $I=S$
 - C. $I+G=S+T$
 - D. $I+G+X=S+T+M$.

5. An economy in equilibrium has the following consumption function: $C = 200$ million francs + $0.6 Y$, and Investment is 800 million francs. If investment spending increases to 1,200 million francs, what would be the new equilibrium level of national income?
 - A. 2,500 million francs
 - B. 3,500 million francs
 - C. 3,000 million francs
 - D. 1,000 million francs.

6. The difference by which aggregate demand falls short of the aggregate level required to maintain full employment in the economy of Cameroon is called:
 - A. Inflationary gap
 - B. Deflationary gap
 - C. Income gap
 - D. Employment gap.

7. When an economist states that a firm will hire workers up to the point at which the extra yield or revenue obtained through the last worker employed equals the wage rate he receives, he is referring to:
 - A. The marginal productivity theory
 - B. The average productivity theory
 - C. The wages fund theory
 - D. The subsistence theory of wages.

8. The equation of exchange maintains that the general price level varies directly with the total volume of money in circulation and the velocity of its circulation, and inversely with the total volume of transactions. Which of the following equations explains the above propositions?
 - A. $M=PT/T$
 - B. $V=PT/M$
 - C. $P=MV/T$
 - D. $T=PV/V$.

Given the age structure of a hypothetical country as follows:

Number of people below 16 years	8 million
Number of people above 64 years	6 million
Number between 16 and 64 years	28 million

9. What is the dependency ratio of this country?
 - A. 1: 4
 - B. 2: 3
 - C. 1: 2
 - D. 40 %

10. A 2 % rise in the price of good X leads to a 5% increase in the demand for good Y. Goods X and Y are therefore:
 - A. Complementary goods
 - B. Substitute goods
 - C. Unrelated goods
 - D. Public goods.

11. In what way does a monopolistically competitive firm resemble a perfectly competitive firm?
 - A. They produce heterogeneous products
 - B. Both firms are likely to earn zero economic profit in the long-run
 - C. They restrict the entry of new firms into the industry
 - D. They both produce differentiated products.

12. Which of the following institutions encourages the movement of both domestic and foreign funds into productive investments in developing countries by granting long-term loans to them and undertaking investments?

- A. IDA
- B. IFC
- C. MIGA
- D. IMF

13. Economics is considered a science because:

- A. It makes use of normative statements
- B. It uses positive statements
- C. It studies human behaviour
- D. It increases our intellectual capacity

14. This question is based on table 2 below showing the production possibilities of a country.

Good	A	B	C	D	E
Wine (tons)	4	3	2	1	0
Coffee(tons)	0	13	19	23	25

If the economy is currently operating at point E, what is the opportunity cost of producing an extra unit of wine?

- A. 1 ton of coffee
- B. 2 tons of coffee
- C. 3 tons of coffee
- D. 4 tons of coffee

15. In a capitalist economy, the question of what to produce is answered through:

- A. Customs and tradition
- B. Government directives
- C. The price mechanism
- D. The Central planning committee

16. A merger between two restaurant chains is an example of:

- A. Forward vertical integration
- B. Backward vertical integration
- C. Conglomerate
- D. Horizontal integration

17. The method of production which employs a large amount of capital relative to other inputs is described as:

- A. Labour intensive
- B. Capital intensive

C. Capital-output ratio

D. Capital deepening

18. Unincorporated businesses are characterised by:

- A. Unlimited liability
- B. Separate legal existence
- C. The ability to own property
- D. The capacity to sue

19. Cameroon will experience net emigration at a given period when:

- A. Immigration exceeds emigration
- B. Emigration exceeds immigration
- C. Immigration just equals emigration
- D. There is high rate of emigration

20. If Dangote Cement experiences an increase in price, other things remaining constant, CIMENCAM's Rubbust cement will most likely experience:

- A. An increase in supply
- B. An increase in demand
- C. An extension in demand
- D. A contraction in supply

21. This question is based on table 3 below.

Price (FCFA)	Demand (Kg)	Supply (Kg)
500	400	3500
450	800	3000
400	1200	2000
350	1500	1500
300	3000	1200
250	4000	1000

If the government sets a price ceiling of 300FCFA per Kg, the black market price will be:

- A. 350FCFA
- B. 450FCFA
- C. 250FCFA
- D. 500FCFA

22. The time period during which more can be supplied by varying the variable factors is:

- A. The short run
- B. The long run
- C. The momentary period
- D. The very short run

23. This question is based on Fig 1. Below showing fluctuations from the equilibrium.

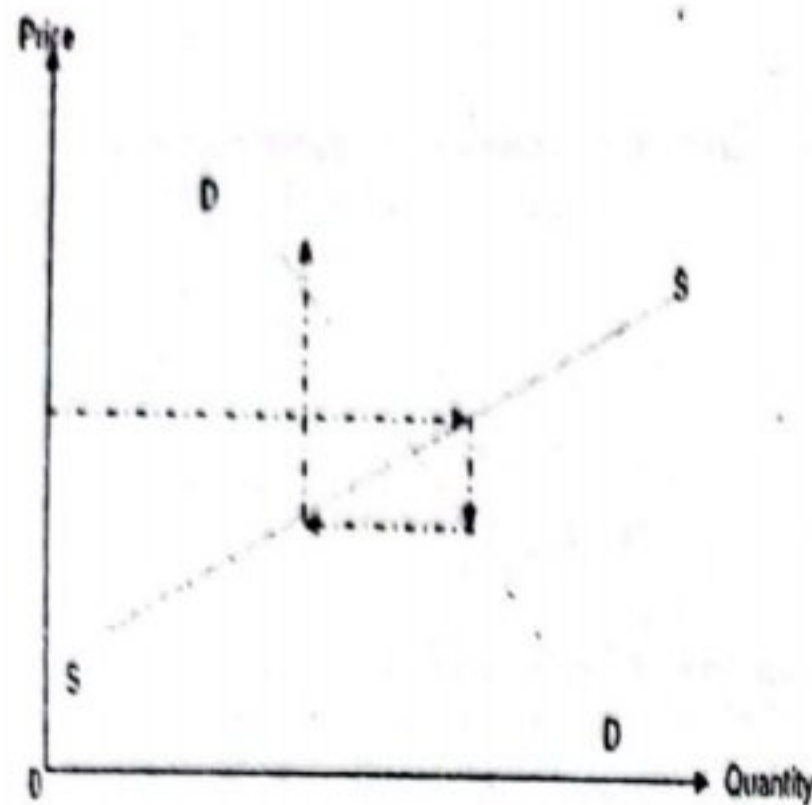


Fig. 1

The divergent cobweb above is possibly as a result of the fact that:

- A. Demand is more elastic than supply
- B. Supply is more elastic than demand
- C. Demand and supply are unit elastic
- D. Demand and supply are fairly elastic

24. An entrepreneur registers the following costs:

Forgone salary	200,000FCFA
Forgone interest on savings	10,000FCFA
Rents	50,000FCFA
Electricity and water bills	50,000FCFA
Raw material	100,000FCFA

The total explicit cost of production is:

- A. 200,000FCFA
- B. 210,000FCFA
- C. 410,000FCFA
- D. 100,000FCFA

25. Due to _____, abnormal profits do not exist in the long run under conditions of perfect competition.

- A. Supply of homogeneous products
- B. Barriers to entry
- C. Perfect knowledge
- D. Freedom of entry

26. One way of dealing with oligopolistic uncertainty by firms in oligopoly markets is:

- A. Through price competition
- B. Through cut-throat competition
- C. Through non-price competition
- D. Through predatory pricing

27. Which of the following will cause the supply of medical doctors to be more elastic?

- A. Fall in wage rate
- B. A fall in unemployment

- C. An Improvement in training facilities
- D. An increase in qualification requirements

28. The form of liquidity preference which goes to finance unforeseen contingencies is called:

- A. Transactions balances
- B. Speculative balances
- C. Active balances
- D. Precautionary balances

29. The negative role of profit that over-allocates resources to the production of profitable demerit goods is:

- A. Consumer exploitation
- B. Waste of resources
- C. Misallocation of resources
- D. Negative externality

30. An example of the hidden economy is captured in:

- A. The services of Doctors in government hospitals
- B. Part time teaching by government employed teachers
- C. Formal sector economic activities
- D. Private sector registered activities

31. The difference between a firm's sales and its purchases in the production of a good is called:

- A. The value of final product
- B. Value added
- C. Value of total output
- D. Value of double counting

32. Table 3 below relates to the GDP statistics of a country in two time periods.

Year	GDP(MFCFA)	Price Index
2020	10,000	100
2021	12075	105

The percentage increase in Real GDP between 2020 and 2021 is given as?

- A. 50%
- B. 20.75%
- C. 14.71%
- D. 15%

33. To obtain disposable income from gross income, _____ taxes are deducted.

- A. Progressive
- B. Regressive

- C. Direct
- D. Indirect

34. This question is based on Fig. 2 below relating to a consumption function:

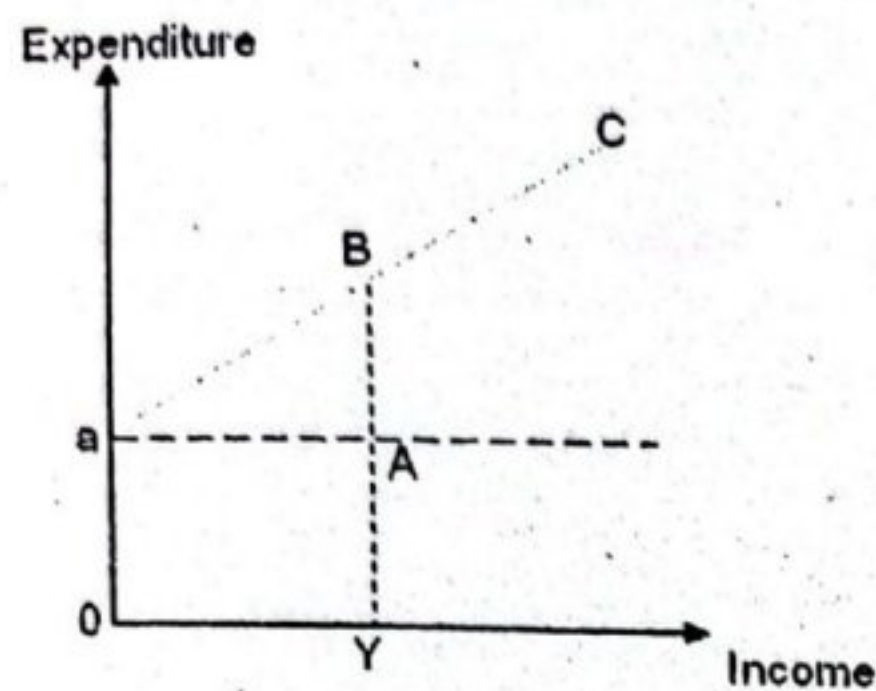


Fig. 2.

At all levels of national income, the distance YA represents:

- A. Induced consumption
- B. Autonomous consumption
- C. Marginal propensity to consume
- D. Average propensity to consume

35. Cameroon's 2023 budget reveals an increase in tax rates. The value of the multiplier, all other things constant is likely to:

- A. Decrease
- B. Increase
- C. Remain unchanged
- D. Alternate

36. To close an inflationary gap, government could:

- A. Raise income taxes
- B. Reduce income taxes
- C. Increase government spending
- D. Reduce the rate of interest

37. The ability of commercial banks to make cash available to customers on demand relates to the bank's:

- A. Security
- B. Liquidity
- C. Profitability
- D. insolvency

38. One likely consequence of the introduction of new bank notes in CEMAC is:

- A. Reduction in counterfeiting
- B. Decrease in money supply
- C. Increase in the value of FCFA

D. Increase in purchasing power

39. A commercial bank creates a maximum deposit of 1,000 000FCFA from an initial deposit of 125 000FCF, its cash ratio is:

- A. 8%
- B. 12%
- C. 10%
- D. 5%

40. If the exchange rate between the FCFA and Euro stands at €1=650FCFA. How much will a Cameroonian importer need to buy a car from Germany worth €1500?

- A. 975,000 FCFA
- B. €650,000
- C. €975,000
- D. 1200,000FCFA

41. This question relates to table 4 below.

Country	Coffee	Wine
Cameroon	100	300
France	200	400

For how much should a unit of coffee sell if trade is to be mutually beneficial?

- A. 1 unit of wine
- B. 4 units of wine
- C. 2 units of wine
- D. 5 units of wine

42. An example of a non-tariff barrier to trade is:

- A. Customs duties
- B. Taxes on imports
- C. Import quotas
- D. Import duties

43. One positive consequence of economic growth is:

- A. Increase in external borrowing
- B. Fall in national debt
- C. Exhaustion of non-renewable resources
- D. Increase in the general price level

44. The mismatch between job seekers' skills and labour market demands in Cameroon most likely results from:

- A. ill adapted training
- B. Seasonal changes
- C. Business cycles
- D. Unskilled work force

45. A more appropriate strategy to economic development is:

- A. Reliance on foreign aid
- B. Increase borrowing
- C. Exportation of natural resources
- D. Import substitution

46. What type of economies of scale is related to the statement "large firms are better equipped to cope with trading uncertainties than smaller firms"?

- A. Risk bearing economies
- B. Technical economies
- C. Welfare economies
- D. Research economies

47. The term used to describe the reduction of government's participation in the economy thereby making it more competitive is:

- A. Franchising
- B. Leasing
- C. Deregulation
- D. Denationalisation

48. When the marginal rate of tax exceeds the average rate of tax the tax system involved is most likely:

- A. Progressive
- B. Regressive
- C. Proportional
- D. Indirect

49. Which of the following is a macroeconomic policy objective of Cameroon?

- A. Full employment
- B. Balanced budget
- C. Increase in interest rates
- D. Balance of payments disequilibrium

50. This question is based on table 3 below relating to a country's tax structure with a tax free allowance of 15 000 FRS.

Band of taxable income	Tax rate
0 -25 000	10%
25001 – 50 000	20%
Above 50 000	30%

To reduce the tax burden in the above tax structure, the government can:

- A. Reduce the tax bands
- B. Reduce that tax free allowance
- C. Increase the tax bands
- D. Review the tax rates

END!!

**NOW GO BACK AND CHECK YOUR
WORK!!**