

GENERAL CERTIFICATE OF EDUCATION BOARD

General Certificate of Education Examination

0725 ECONOMICS 1

JUNE 2023

ADVANCED LEVEL

Centre No.	
Centre Name	
Candidate Identification No	
Candidate Name	

Mobile phones are NOT allowed in the examination room

MULTIPLE CHOICE QUESTION PAPER

1 Hour 30 Minutes

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 THE 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 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, and Subject Code, and Candidate Identification Number.
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.

How to answer the questions in this examination

6. Answer **ALL** the **50** questions in this Examination. All questions carry equal marks.
7. 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 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]

8. 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.
9. 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.
10. Do all rough work in this booklet, using, where necessary, the blank spaces in the question booklet.
11. **At the end of the examination, the invigilator shall collect the answer sheet first and then the question booklet after. DO NO ATTEMPT TO LEAVE THE EXAMINATION HALL WITH IT.**

Turn Over

1. In economics, the phrase "all other things being equal" means
 - A factors remain constant.
 - B factors are equally efficient.
 - C factors are less efficient.
 - D other variables remain the same.

2. Which of the following concepts will remain unresolved as a firm tries to solve the basic economic problems?
 - A Opportunity cost.
 - B Scale of preference.
 - C Choice.
 - D Scarcity.

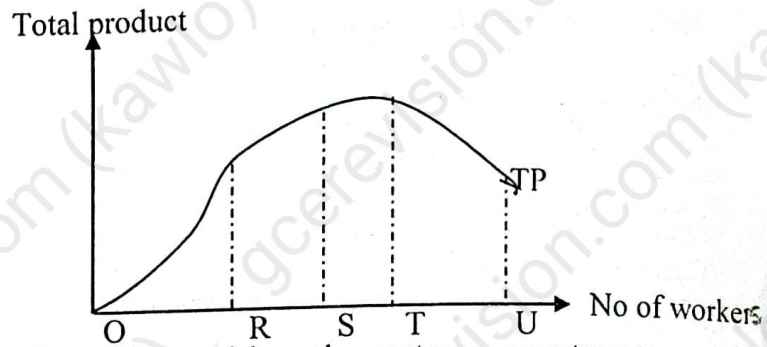
3. Market failure occurs when
 - A market practices discriminate against the poor.
 - B the price system cannot allocate resources optimally.
 - C the market enables more of merit goods to be produced.
 - D tax rates increase market prices unnecessarily.

4. In which economic system is there no freedom of choice and therefore loss of consumer sovereignty?
 - A Command economy.
 - B Free enterprise economy.
 - C Mixed economy.
 - D Traditional economy.

5. The percentage share of total employment, sales or output of an industry accounted for by the 3 or 5 largest firms in the industry is called
 - A location quotient.
 - B firms outlay.
 - C industrial localization.
 - D concentration ratio.

Consider figure 1 below for question 6.

Figure 1



6. Within which employment range are returns to labour increasing?

- A O-R.
- B R-S.
- C S-T.
- D T-U.

7. Which of the following is an external source of finance for a businessman?

- A Leasing.
- B Bank draft.
- C Ploughed back profit.
- D Public issue.

8. A situation where a firm takes over another, selling off the company's resources thereby terminating it is called

- A asset stripping.
- B take-over bids.
- C holding company.
- D pyramiding.

9. Marginal cost and Average cost pricing policies are mostly practiced by

- A public companies.
- B public corporations.
- C private companies.
- D Monopolies.

Question 10 is based on the population statistics of Country Y in a given year.
 Total population -----20million people
 Labour force-----8million people
 Activity rate-----75%

10. How many people are gainfully employed in this country ?

- A 6 million people.
- B 8 million people.
- C 12 million people.
- D 15 million people.

11. The term "expanding population" describes a population with
- a relatively small and decreasing proportion of children, adolescents and young adults.
 - a low average age.
 - an increasing proportion of children, adults and the aged.
 - very high average age.

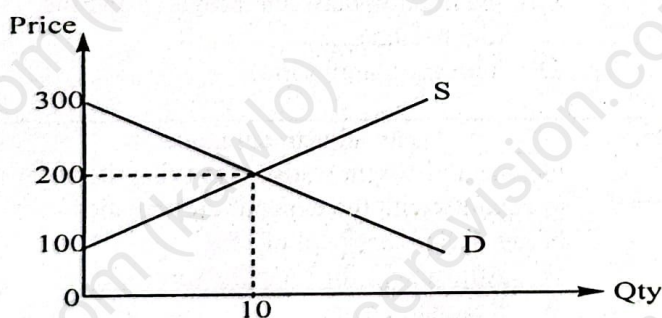
Question 12 is based on the information below
A consumer with a budget constraint of 10,000FCFA buys; Rice, Sugar, and Flour whose prices are; 500FCFA, 600FCFA and 400FCFA respectively. With 10kg of rice, 5kg of sugar and Y kg of flour, his budget is exhausted.

12. What is the quantity of flour (Y) bought?
- 4kg.
 - 5kg.
 - 6kg.
 - 3kg.

13. Suppose a tax of 20frs has been imposed on a packet of maggi with elasticity of supply of 3.5frs .
If customers pay 14 frs out of the tax, determine the elasticity of demand for maggi.
- 1.4.
 - 1.5.
 - 2 .
 - 2.5 .

Question 14 is based on figure (2) below.

Figure 2

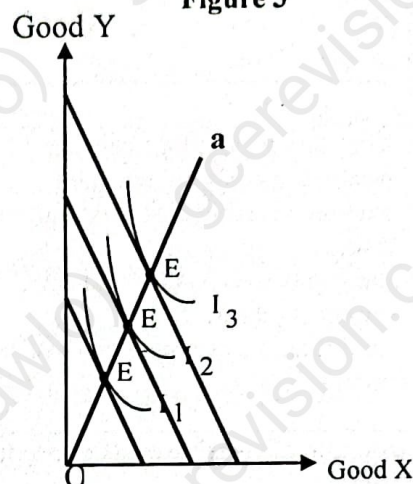


14. From the above figure, what is the community Surplus?
- 500FCFA.
 - 1000FCFA.
 - 100FCFA.
 - 2000FCFA.

15. A demand curve regressive at the Top specifically describes
- inferior goods.
 - giffen goods.
 - veblen goods.
 - expectations of further price decrease.

Question 16 relates to figure 3 below showing the various indifference curves and the budget lines.

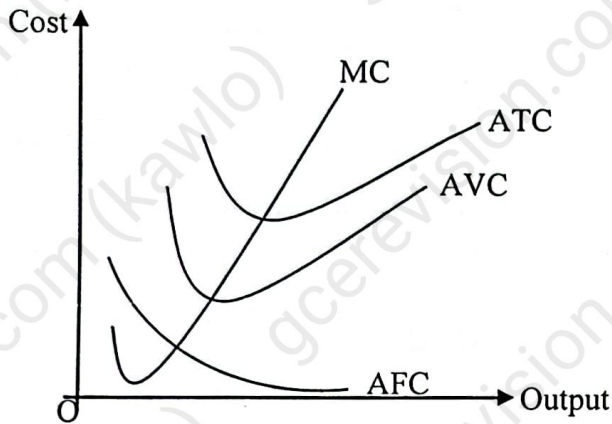
Figure 3



16. Line a is called the
- income consumption curve .
 - Engels curve.
 - price consumption curve.
 - supply curve with unit elasticity.

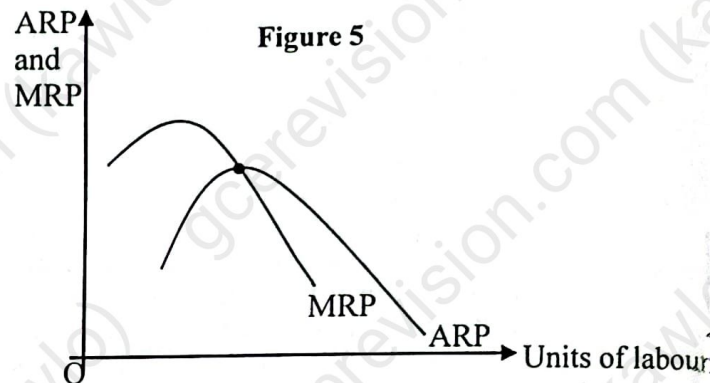
17. A firm's cost structure is as follows:
- | | | |
|------------------------|---|-------------|
| Total costs | = | 17,000 FCFA |
| Average variable costs | = | 110 FCFA |
| Total fixed costs | = | 11,500 FCFA |
- The firm's output will be
- 35 units.
 - 40units.
 - 45units.
 - 50 units.

Question 18 relates to figure 4 below
Figure 4



18. The AFC curve is falling because
 A total fixed costs are constant
 B average variable costs also fall before rising.
 C the gap between ATC and AVC at lower output is larger.
 D total fixed costs are spread over a larger output.
19. An example of variable costs of production is
 A rents.
 B insurance premium.
 C cost of machine.
 D wages.
20. When a firm charges each consumer the maximum price he or she is prepared to pay for the same good, this is known as
 A multipart price discrimination.
 B segmented market price discrimination.
 C second degree price discrimination.
 D perfect price discrimination.
21. A market structure with only two buyers of the product supplied in the market is called
 A duopoly.
 B duopsony.
 C duopolist.
 D duopsonist.
22. Quasi rents can be defined as
 A extra earnings received by a factor because of its special ability.
 B economic rent which is earned by a factor in the short run.
 C earnings of a factor above the factor's supply price.
 D minimum reward necessary to keep a factor in its present occupation.

Question 23 relates to figure 5 below which shows the average revenue product (ARP) and marginal revenue product (MRP) curves for labour employed by an individual firm.



23. The demand curve for labour is represented by the segment of the
 A ARP curve above the MRP curve.
 B MRP curve that is downward sloping.
 C MRP curve above the ARP curve.
 D MRP curve below the ARP curve.
24. Profits made in the short run but not enough to keep the firm in the industry in the long run is called
 A negative profit.
 B net profit.
 C subnormal profit.
 D operating profit.
25. Interest rate, according to the Classics, is determined by the
 A interaction between the demand for and the supply of loanable funds.
 B interaction between the demand for and the supply of money.
 C interaction between the active and the idle balances.
 D monetary authorities.
26. _____ is an adjustment made on income and output statistics to bring them to equality with the expenditure statistics of measuring national income.
 A Adjustment for financial services.
 B Residual error.
 C capital appreciation.
 D capital depreciation.
27. The GNP deflator is useful in calculating
 A real GNP.
 B nominal GNP.
 C rate of interest.
 D national income.

Question 28 relates to the following data showing the national income account of an imaginary economy. (figures are in million FCFA)

Depreciation -----	=	150
Taxes on expenditure -----	=	1,500
Subsidies -----	=	75
Net national product -----	=	7,500

28. Determine the value of Gross National Product at market prices

A 6225 million FCFA .
 B 7650 million FCFA .
 C 9075 million FCFA .
 D 9225 million FCFA .

29. Which of the following equations expresses the relationship between the propensities to consume and save?

A $APC + APS = 1$.
 B $APS - APC = 1$.
 C $APC - APS = 1$.
 D $APC + APS > 1$.

30. "Changes in investment on a magnified scale originating from variations in the rate of consumption".

What term is explained by the quotation above?

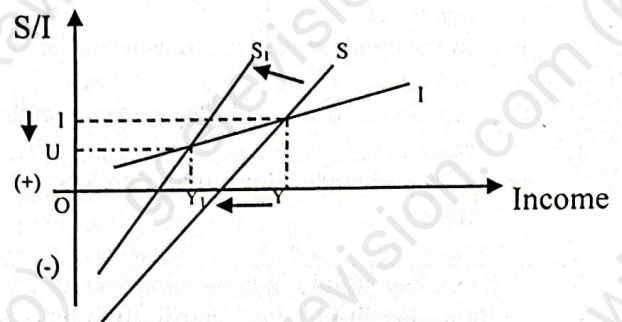
A Net investment.
 B Gross investment.
 C The multiplier.
 D The accelerator.

31. Suppose ΔS = change in saving, ΔY = change in income. Which of the following formulae represents the multiplier in a two – sector closed economy?

A $\frac{1}{(\frac{\Delta S}{\Delta Y})}$
 B $\frac{1}{(\frac{\Delta Y}{\Delta S})}$
 C $\frac{1}{(\frac{\Delta Y - \Delta S}{\Delta Y})}$
 D $\frac{1}{(\Delta Y - \Delta S)}$

Question 32 is based on figure 6 below showing various equilibrium positions using the savings and investment curves.

Figure 6



32. Which economic concept does the above figure seek to explain?
- A Full employment equilibrium in an economy.
 B Paradox of thrift.
 C Equilibrium income in an open economy.
 D Full employment income and equilibrium income .

33. If $(S+T+M) > (I+G+X)$, the total output of a country will

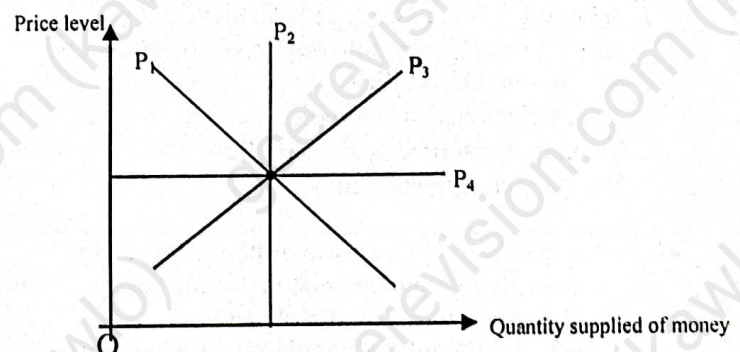
A fall.
 B increase.
 C not change.
 D be an ex-post variable.

34. The scrap value of an asset is the value of

A the physical asset.
 B the durable asset.
 C depreciation in progress.
 D capital asset after its useful life

Question 35 is based on figure 7 below relating to the quantity theory of money.

Figure 7



35. Which of the curves shows the relationship between the quantity supplied of money and the general price level?
- A curve P4.
 B curve P3.
 C curve P2.
 D curve P1.

TurnOver

36. Which of the following presents the assets of a commercial bank classified in decreasing order of liquidity?

A Cash, money at call, treasury bills, advances.
 B Investment, advances, treasury bills, cash.
 C Advances, treasury bills, money at call, cash.
 D Cash, advances, investment, treasury bills.

37. The money supply in an economy is given as 6000millionFCFA at an equilibrium interest rate of 3%. What is the demand for money in this economy given that the rate of interest does not change?

A 180MillionFCFA.
 B 6180MillionFCFA.
 C 6000MillionFCFA.
 D 5820MillionFCFA.

38. An increase in inflation rate by 10%, causing the government to increase wages by 10% is referred to as

A fiscal drag.
 B inflationary spiral .
 C indexation.
 D stagflation.

39. The concept of crowding in suggests that an increase in government borrowing and spending will cause an increase in

A the rate of interest.
 B the money supply .
 C private sector investment.
 D public sector borrowing.

40. A deliberate action by government to change her spending or tax rates so as to achieve some desired macro economic objectives is known as

A automatic stabilizer.
 B discretionary fiscal policy.
 C non-discretionary fiscal policy.
 D budget or fiscal policy.

41. "A tax should be capable of being altered to meet changing economic conditions and changing government's objectives". Which principle of taxation is implied in the above quotation?

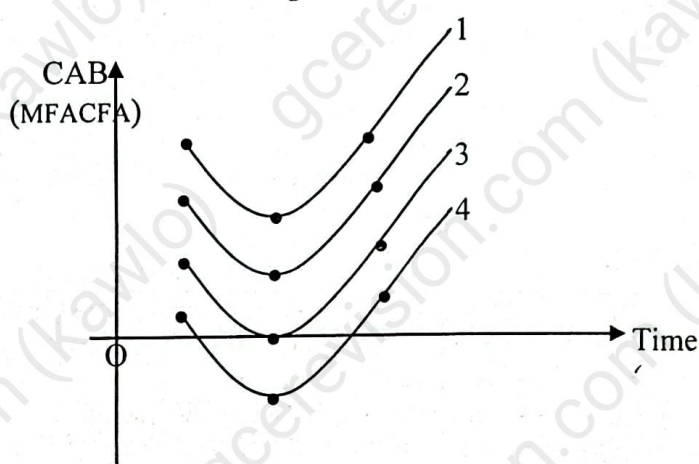
A Political acceptability.
 B Efficiency.
 C Predictable yield.
 D Flexibility.

42. A tax payer with an income of 200,000FCFA per month is granted a tax free allowance of 20,000FCFA. Given a tax rate of 15%, what is the ART of this tax payer?

A 13.5%.
 B 15%.
 C 16.7%.
 D 11.1%.

Question 43 is based on figure 8 below showing the effect of the devaluation of a currency on the balance of payments (BOP).

Figure 8



CAB= Current Account Balance

43. Which of the above curves, 1,2,3 and 4, shows the effect of a successful devaluation on the BOP of a country ?

A curve 1.
 B curve 2.
 C curve 3.
 D curve 4.

44. In which of the following regimes is the exchange rate of a currency allowed to float within a given limit?

A Flexible exchange rate regime.
 B Managed exchange rate regime.
 C Floating exchange rate regime.
 D Fixed exchange rate regime.

Question 45 relates to the table below which shows the movement in a country's terms of trade (TOT) from 2016 through 2019.

Year	2016	2017	2018	2019
TOT	124	118	110	106

45. The movement in terms of trade illustrated above can possibly occur when
- A export prices are rising more than import prices.
 - B export prices are constant while imports are falling.
 - C import prices are rising while export prices are falling.
 - D import prices are constant while export prices are rising.

Question 46 is based on the data below which shows the balance of payments account of an imaginary country (figures are in millions of FCFA).

Value of goods exported.....	= 500
Earnings from foreign tourists.....	= 200
Capital invested abroad	= 500
Value of goods imported.....	= 350
Capital invested from abroad	= 250
Payment abroad for a given service.....	= 70
Interest paid abroad.....	= 150
Receipts from foreign students.....	= 180

46. What is the balance of payments on current account?
- A 310 million FCTA.
 - B 250 million FCFA.
 - C 150 million FCFA.
 - D 240 million FCFA.

47. Suppose the real GDP of a country increases from 110 in year 1 to 115 in year 2. Determine the growth rate of the real GDP of this country.
- A 4.5%.
 - B 5%.
 - C 5.5%.
 - D 10%.

48. Which of the following agencies gives loans to private sector businesses in developing member countries?
- A IMF(International Monetary Fund).
 - B IBRD(International Bank for Reconstruction and Development).
 - C IDA(International Development Association).
 - D IFC(International Finance Corporation).

49. An example of automatic stabilisers is
- A pension funds.
 - B family allowances.
 - C unemployment benefits.
 - D scholarship grants.

50. Which of the following is one of a government's macro-economic objective?
- A Bank lending.
 - B Price stability.
 - C Exchange rate.
 - D Labour mobility.

STOP
GO BACK AND CHECK YOUR WORK