

Economics 3
0725



LITTORAL ECONOMICS TEACHERS ASSOCIATION
(LETA)



General Certificate of Education Regional Mock Examination

MARCH 2024

ADVANCED LEVEL

Subject Title	Economics
Paper No.	3
Subject Code No.	0725

1 HOUR 45MINUTES

INSTRUCTIONS TO CANDIDATES

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

- You are advised to spend the first 15 minutes reading the paper.
- In calculation, 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.

- (b) What is the gearing ratio? (2 marks)
- (c) If the company has a profit of 25 million frs. available for distribution to debenture holders and shareholders, what amount of ordinary shares dividend will it declare? (6 marks)
- (i) What is the yield of an ordinary shares if its market price is 1250frs? (4 marks)
- (ii) Is the ordinary share sold at a premium or discount? (2 marks)

4. A transport agency after so many trial and error sessions discovers that the cost per trip from his fleet of vehicles can be detailed as follows:

Insurance premiums	50000frs
Rents	60.000frs
Wages	80.000frs
Park fee	20.000frs
Depreciation Allowance	30.000frs
Fuel	40.000frs

- (a) Classify the items under (3x3= 6mks)
- (i) Fixed costs
- (ii) Variable costs
- (b) Given that the maximum seating capacity per bus is 70 places (seventy places), what is the minimum fare per trip that this agency must charge per passenger to avoid making a loss. (6mks)
- (c) Which of the above costs is a source of capital to the business? Explain your answer. (4mks)
- (d) Below what price will this transport agency close down in the short run? (4mks)

5. You are given the following information on an economy. Figures are in millions of frs CFA.

Consumers expenditure	40500
Gross trading profits of companies	4500
Net domestic fixed capital formation	2300
Public authorities current expenditure on goods and services	61200
Exports of goods and services	71000
Stocks at the beginning of the year 2023	1000
Stocks at the end of the year 2023	1500
Taxes on expenditure	3700
Imports of goods and services	14200
Net property income from abroad	720
Subsidies	2300
Capital consumption	7300

- (a) Calculate (3mks)
- (i) Gross investment (3mks)
- (ii) Gross national product at market prices (3mks)
- (iii) Gross national product at factor cost. (2mks)
- (iv) National income (3mks)
- (b) List three reasons why a county will collect national income statistics
- (c) List four limitations to the use of national income statistics in comparing the standard of living overtime in the same country (4mks)
- (d) Define the following (2mks)
- (i) Residual error
- (ii) Capital consumption

END!

1. Study the table below which shows the indices of export and import prices and the terms of trade of a country.

Year	Index of export prices	Index of import prices	Terms of trade
1	82	86	
2	84		96.33
3	86		101.17
4	88	86	
5	90	88	
6	92	90	
7	93	90	
8	95		104.39
9		93	105.37
10	101		107.44

- (a) Complete the table above by filling the empty spaces. (10 marks)
- (b) What could be the likely effects on the balance of payment above if the demand for exports and imports are elastic? (6 marks)
- (c) Establish the relationship between terms of trade and balance of payment if the demand for import and export is inelastic. (4 marks)
2. Study the demand and supply schedule below for a commodity below.

Price (FCFA)	Quantity demanded (kg)	Quantity Supplied (kg)
80	10	40
70	15	35
60	20	30
50	25	25
40	30	20
30	35	15
20	40	10
10	45	5

- (a) What is the equilibrium price and why? (3 marks)
- (b) Suppose a minimum price of 70Fr per kg was imposed, by the government
- (i) What will be the effect of this in the market? (2 marks)
- (ii) How much will the operation cost the government? (2 marks)
- (c) Suppose the quantity demanded of the good increases by 10 kg at each and every price;
- (i) What will be the new market price? (4marks)
- (ii) State five factors that may lead to the increase in demand for the good. (5 marks)
3. The information is based on the information concerning the capital structure of a certain public company.
- 100,000 5% secured Debentures of 1000 FCFA
 - 100,000 7% Preference shares of 1000 FCFA
 - 50,000 ordinary shares of 1000 FCFA each.
- (a) Define the following? (2 marks)
- (i) Ordinary shares (2 marks)
- (ii) Preference shares (2 marks)
- (iii) Secured Debentures